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U.S. DEPARTMENT OF THE INTERIOR LABS

Reinvent NPR Reengineer

Quality Government

Summary Report

March 1994

U.S. Department of the Interior

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THE SECRETARY OF THE INTERIOR

WASHINGTON

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Honorable Al Gore
The Vice President of the
United States
Washington, DC 20501

Dear Mr. Vice President:

In response to your call to Federal agencies to identify laboratories to reinvent the way they do their business, Interior identified seven initial laboratories. Our laboratories began their work in June of 1993, and completed their work in fall of the same year. The attached report discusses the processes we used to provide training and resources for the laboratory teams to reengineer their work, the findings and recommendations from the teams, and management actions being taken to implement the teams' recommendations.

The processes we used to train and support the teams were based on ground-breaking work by Interior's Bureau of Land Management to reengineer its major business processes in 1992. The most important lessons we have learned from those and our current reinvention efforts are the need to provide specific training to the teams on quality improvement, reengineering, teamwork, and problem-solving to prepare them for their work, and the need to prepare managers to act on team recommendations. Our successes are directly related to this preparation.

The teams recommended changes which will reduce the time to provide maps to customers from two weeks to one or two days, save an estimated $600,000 dollars by changing the way one bureau processes paperwork, eliminate bureau barriers by establishing cross-agency teams to focus on environmental damage assessments, and bring a stronger customer focus to mining research, water resources management, mineral royalties collection, and management of Interior's responsibilities in California's Central Valley Watershed.

I would like to invite you to personally visit one or more of our laboratories. I think the potential for fundamentally changing the way Federal agencies meet the public's needs is greatly enhanced by the reinvention laboratory process. Interior is committed to the reinvention laboratory process and has already planned additional laboratory efforts in new areas and to follow up on previous laboratory decisions.

Sincerely,

Bruce Babbitt

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Executive Summary

In response to Vice President Gore's challenge to create a government that works better and costs less, the Department of the Interior established seven Reinvention Laboratory Teams as a part of the National Performance Review (NPR). Building on the NPR premise that "the federal government is filled with good people trapped in bad systems," Interior sought a methodology that focused on process improvement.

Teams were not limited by existing bureau designations, regulations, practices, or policies in the development of new processes. The Teams were told to avoid simply "tweaking" the way in which business had always been conducted. Instead, Team members were asked to develop a conceptual plan starting with a "blank page." The reengineering process began by gathering data to establish the customer requirements for the process. An efficient, effective process with performance measures was then developed to meet the customer requirements.

The Teams presented the redesigned systems to managers for approval, disapproval, or modification. To ensure continued support for reinvention efforts across the Department, the Chief of Staff has asked managers to plan and implement these redesigned systems. The laboratory analysis and recommendations detailed in this report are a major first step in reinventing a new Department of the Interior that works better and costs less.

This report summarizes the findings and redesigned systems produced by the seven teams. Highlights include:

U.S. GEOLOGICAL SURVEY (USGS) - INFORMATION DISSEMINATION SYSTEM

The USGS Team successfully used benchmarking, measuring its performance against the best performers in private industry, to reengineer its distribution process. As a result, the Team developed recommendations which will cut its map and publications order fulfillment time from the current two to four weeks to 24 hours. Other changes recommended by the Team will automate the agency's stock and inventory management system; produce a 50 percent reduction in mail handling, slashing the 22 steps now used to the 3-5 that is common in the private sector; and implement a system-based accounting process. Through the Team's interaction with private industry, several distribution leaders in the private sector have expressed an interest in continued participation in the agency's reengineering efforts. **USGS management has accepted all of the Team's central recommendations and implementation has begun.**

BUREAU OF RECLAMATION - CROP REPORTING PROGRAM AND THE RECLAMATION REFORM ACT

By working closely with the Agricultural Stabilization and Conservation Service of the Department of Agriculture, the Bureau of Reclamation team determined that both agencies were asking the same customers for similar information. Of 187 questions asked on Reclamation forms, 142 were the same as

those answered in Agriculture's automated State and county records system. The Team recommended testing a system which would require only one agency to collect the information, reducing customer aggravation and cutting redundant efforts. This Team also identified several regulatory changes that will cut the costs of enforcing Federal laws dealing with water supply throughout the west, freeing up human and financial resources to focus on areas where problems are known to exist. **The issues and recommendations presented by this laboratory are impacted by an Environmental Impact Statement (EIS) process now in progress. The Commissioner of Reclamation will provide further guidance on the laboratory results after the EIS process is completed.**

MINERALS MANAGEMENT SERVICE - MINERAL ROYALTY FUNCTIONS

By making full use of its non-Federal Team members, the Minerals Management Service Team was able to gather extensive information from its customers. This successful nexus provided invaluable insights that led to time and money saving recommendations. The Team's system redesign proposals will cut the time spent in developing price comparisons for natural gas valuations, simplify forms by eliminating unneeded information requests that currently generate 45% of the error warning messages in the current computerized system, and make it easier for customers to pay royalties electronically — saving customers $140,000 in charges and garnering an additional $244,000 in interest income for the Federal government. In addition, its Customer Service Team recommendation should reduce frustrations encountered by both the agency's customers and its employees. **All of the seven recommendations made by the Mineral Royalty Function Team were accepted by MMS management, some with modifications. Action on three recommendations is being deferred pending completion of a related study.**

OFFICE OF ENVIRONMENTAL AFFAIRS - NATURAL RESOURCE DAMAGE ASSESSMENT AND RESTORATION PROCESSES

The Natural Resource Damage Assessment and Restoration (NRDAR) Processes Laboratory was formulated to evaluate the process by which natural resource trustees such as the Department of the Interior obtain compensation from responsible parties to restore natural resources injured by oil spills and releases of hazardous substances. The existing process is complex for all of the parties involved and creates conflict instead of restoring resources. It is often a multi-trustee, multi-step process with the potential for overlap and duplication in data gathering, as well as gaps in service because of inadequate staffing and funding. The team recommended the creation of regional or State-level NRDAR coordination teams empowered with certain decision-making authorities to facilitate NRDAR activities leading to swift settlements and environmental restoration. Implementing the team's recommendations will allow the Federal government to complete a greater number of site restorations in a more efficient and less costly manner. **Nine of ten recommendations will be treated as long-term goals contingent on the availability of funds and other considerations. The core proposal, creation of regional or State-level NRDAR coordination teams to be initiated in cooperation with the multiple resource management bureaus in Interior and other trustee agencies, will be implemented through pilot projects.**

FISH AND WILDLIFE SERVICE - CENTRAL VALLEY WATERSHED

The Fish and Wildlife Service Team, working with representatives from the other major Interior bureaus with responsibilities in California's Central Valley, proposed an approach to ecosystem management. The Team's system would enhance coordination of approaches to natural resources management among the various bureaus with responsibilities in the Central Valley. This approach would provide ecosystem management authority, cutting across the responsibilities of the different bureaus, without disrupting existing bureau structures. The Team also developed related recommendations which include providing "one stop shopping" for the many customers seeking information on Federal resources policy and programs in the Valley. **Fish and Wildlife Service management supported six of the eleven recommendations made by the Central Valley Team. As a result, the Interior bureaus will reinforce ongoing paths for embracing ecosystem management and will focus on addressing actions that can be taken individually and collectively to enhance their administrative and operational effectiveness in the Central Valley Watershed.**

BUREAU OF LAND MANAGEMENT - SERVICE CENTER

In only six weeks of analyses on a handful of processes, the BLM Service Center Team identified over $600,000 in potential savings. Most of these savings, which would require waivers from existing regulations (see Appendix Two), involve simple changes in existing processes, such as cutting one check to pay a bill instead of four separate checks. By eliminating unnecessary steps and streamlining organizational functions, these reductions in paperwork translate directly into improved customer service. Because of the wide variety of functions carried out at the Service Center, more closely focused reinvention lab reviews of specific processes at the Service Center promise even greater savings and marked increases in customer service. **Of the 62 recommendations made by the Service Center Team, 60 were accepted by BLM management.**

BUREAU OF MINES - PITTSBURGH RESEARCH CENTER

Through the NPR process, scientists at the Bureau of Mines' Pittsburgh Research Center identified a self-directed work team approach for conducting its scientific investigations. This new approach should eliminate many of the bureaucratic roadblocks that make it difficult for mining researchers to address the priority needs of their customers. Implementing the Team's recommendations should improve the Bureau's ability to meet the nation's information needs in a more timely, focused, and customer-oriented manner. **All three recommendations made by the Pittsburgh Research Center Team were accepted by Bureau of Mines management.**

Introduction

Imagine reducing the time to provide a map to a customer from two weeks to one day or reducing the number of agencies asking citizens for the same data from two to one. Picture saving an estimated $600,000 by changing the way a bureau processes paperwork. Visualize the elimination of bureau barriers by establishing cross-agency teams to focus on environmental damage assessments. These are the types of improvements suggested by Department of the Interior Reinvention Laboratory Teams as a part of the National Performance Review (NPR).

Vice President Al Gore challenged the Federal government to create a government that works better and costs less. As a part of this effort, the Vice President encouraged cabinet members to initiate Reinvention Laboratories "to begin experimenting with new ways of Interiorng business.[1]" The Secretary of the Interior and the Chief of Staff established seven laboratories in the Department of the Interior (Interior) to review specific agency units and business processes. Building on the NPR premise that "the federal government is filled with good people trapped in bad systems,"[2] Interior sought a methodology that focused on process improvement. A methodology to reengineer[3] processes had been prototyped with success in the Bureau of Land Management (BLM), so the BLM methodology was adapted for the Interior Laboratories.

Reinvention Teams were sponsored by the BLM, Bureau of Reclamation (Reclamation), Bureau of Mines (USBM), Geological Survey (USGS), Minerals Management Service (MMS), the Fish and Wildlife Service (FWS), and the Office of Environmental Affairs (OEA) in the Office of the Assistant Secretary - Policy, Management and Budget. Customers, processors, and suppliers were included on teams. In addition, each Team had a member from outside the bureau or office and an analyst not involved in the process. These members helped the Team focus on basic customer needs and on process requirements to meet those needs.

The Teams were told to avoid simply "tweaking" the way in which business had always been conducted. Instead, Team members were asked to develop a conceptual plan starting with a "blank page." Teams were not limited by existing bureau designations, regulations, practices, or policies in the development of new processes.

Teams were given some initial training in the use of quality principles and tools, including identification of customers and customer requirements, reengineering, and structured analysis tools to help in the process redesign. In addition, the Teams were taught tools to enhance their working together, including the use of consensus decisionmaking. Facilitators were available as teachers and coaches to help the Teams in their tasks.

The reengineering process began by gathering data to establish the customer requirements for the process. An efficient, effective process with performance measures was then developed to meet the customer requirements.

The Teams presented the redesigned systems to managers for approval, disapproval, or modification. To ensure continued support for reinvention efforts across the Department, the Chief of Staff has asked managers to develop an action plan to implement the adopted recommendations.

INTRODUCTION

This report is a summary of the findings and redesigned systems produced by the seven Teams. A list of the seven Teams and the Team members is included as Appendix One.

Almost all of the Teams identified specific waivers from existing regulations that would help them implement the reinvented processes they had developed. Appendix Two to this report provides an outline of the waiver recommendations.

U.S. Geological Survey (USGS)

- Information Dissemination System

The USGS Team successfully used benchmarking, measuring its performance against the best performers in private industry, to reengineer its distribution process. As a result, the Team developed recommendations which will cut its map and publication order fulfillment time from the current two to four weeks to 24 hours. Other changes recommended by the Team will automate the agency's stock and inventory management system; produce a 50 percent reduction in mail handling, slashing the 22 steps now used to the 3-5 that is common in the private sector; and implement a system -based accounting process. Through the Team's interaction with private industry, several distribution leaders in the private sector have expressed an interest in continued participation in the agency's reengineering efforts.

As the Nation's largest earth science agency, the USGS is responsible for "doing" science and providing the results of that research to the public. Doing the research is critical, but it has little value if we do not have an effective design for providing it to our customers.

Inefficiencies in the current USGS approach to information and product distribution clearly exist. The distribution activity of today is operating on concepts put in place at least 50 years ago. At no time in the intervening years has the original concept been changed. Fixes have been applied, reorganizations have been undertaken, and processes have been automated, but the basic concept remains the same.

This Team was established to review the problems and issues with the distribution system raised over several years by extensive management studies, by employees and by regulatory offices such as the Department of the Interior, Office of Inspector General; Interior Office of Financial Management (Management Control Review); and the USGS Office of Financial Management.

BENCHMARKING AGAINST THE BEST

The Team research included interviews with ten private sector organizations known for their distribution capabilities; interviews with stakeholders from USGS; meetings and open discussions with employees of the distribution and information activities; and extensive reviews of numerous documents ranging from previous studies to customer surveys and to guidelines published by the American Warehousing Association.

The private sector companies selected by the Team from an extensive literature search reflect "world-class" distribution operations. These

corporations have developed their current approach to business over many years. Management personnel from John Deere, Rand McNally, Jeppeson-Sanderson, and Baxter stated clearly that they involve their own "best" employees in dealing directly with customers. Only repetitive, basic tasks are contracted out. They see the experience and knowledge of their employees as the "core competency" of the corporation.

MEETING INDUSTRY STANDARDS

Currently, the USGS makes it very difficult for customers to obtain what they want. Catalogs and indexes, information brochures and fact sheets are frequently out of date and are heavily dependent on codes, file numbers, report numbers and elaborate specifications. These numbers are directly linked to customer order forms which, if not properly completed, result in extensive follow-up or receipt of the wrong product.

The costs of re-working, re-pulling and re-shipping products are high. To respond to these needs, additional personnel, special handling overtime and accounting actions were put in place. The cost of these actions is compounded when added to the loss of sales and increased dissatisfaction from the customer due to errors, damaged products and long delays.

Critical issues regarding the current distribution system include:

- *Current technologies such as barcoding and Electronic Data Interface (EDI) are not being used. Standard business practices, such as acceptance of credit cards, are not uniform throughout the system.*

- *The computer system(s) does not support effective management of the inventory, ordering and sales of products, customer needs, budget requirements, or costs of operation.*

- *Managers are not held accountable for the uniform reporting of sales, numbers of customers, and product types. Until barcoding and inventory management are fully implemented, management can not make informed decisions.*

- *Distribution and information offices manually prepare indexes of earth-science data on base maps for use with customers. In spite of current technologies, there is no on-line research tool in place that would take the place of maintaining these labor-intensive, but essential indexes.*

- *Fiscal, personnel and management processes prevent, or are perceived to prevent, accomplishing the mission. Handling mail, for example, requires 22 steps before an order is entered. This compares with 3-5 steps in the private sector.*

REENGINEERING THE SYSTEM

In response to these issues, the Team developed a three-tiered concept for the Information Dissemination System, illustrated in figure 1. This approach recognizes that distribution does not occur in a vacuum but is an integral part of the larger information macrocosm. The three primary tiers in this system are Information Exchange, Information Distribution, and Information Input. The team report focuses on the second tier of the system, the physical realities of getting a product into the hands of a customer. The Team recommended that tiers one and three be the subjects of additional reengineering lab efforts.

The Information Dissemination System concept is based on technology that is currently prac-

Information Dissemination System DESIGN

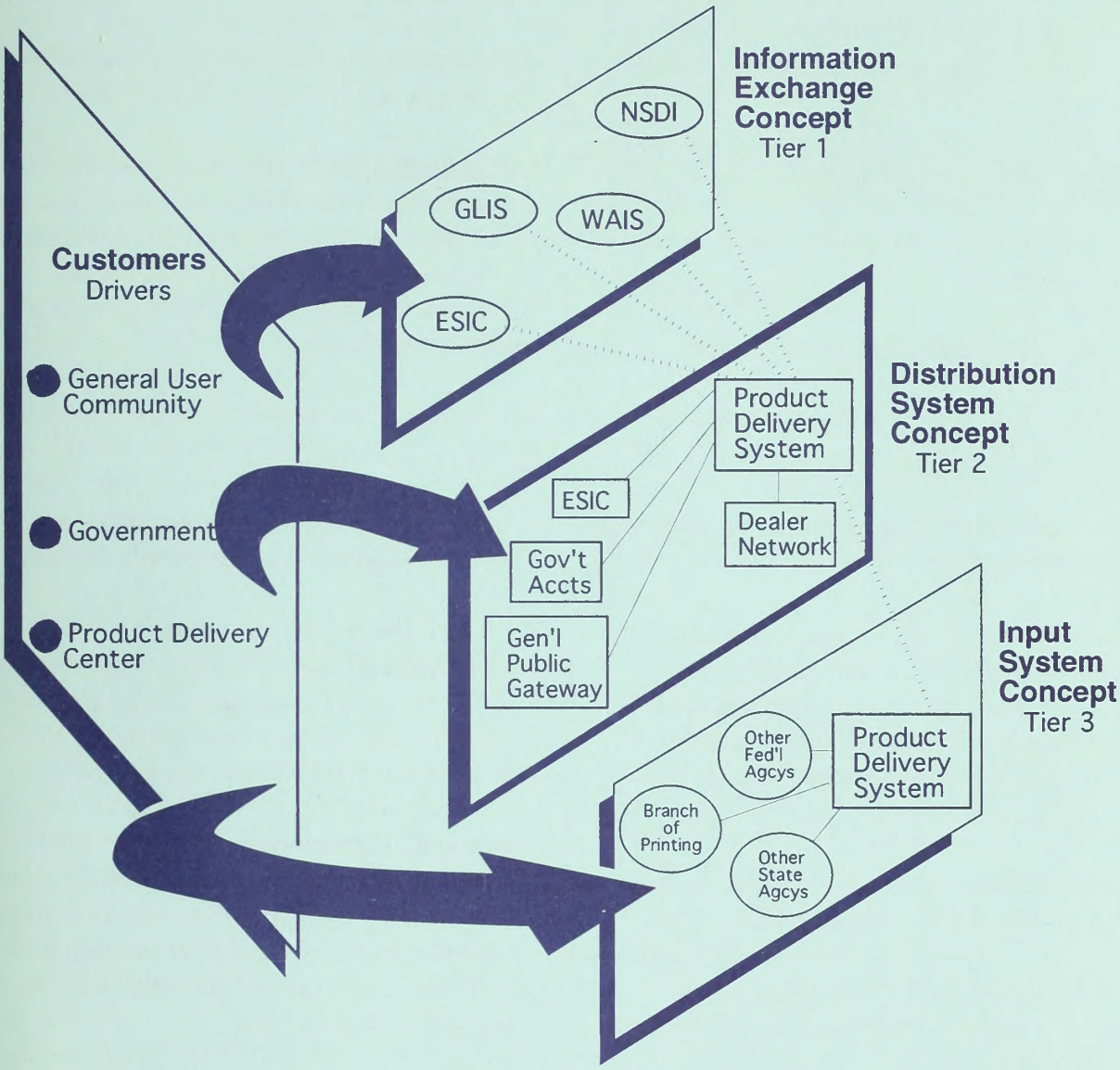


Figure 1: The Information Dissemination System Design of three component tiers addresses how all customers receive information about products (Tier 1), how those products are distributed to the customer (Tier 2), and how those products enter the distribution mechanism (Tier 3).

Figure 1

ticed in the private sector. Rand McNally, Jeppeson-Sanderson, Baxter Pharmaceutical and Aspen Distribution, among others, are rapidly moving toward EDI, bar-coded products and strict inventory management. John Deere and Hershey, Inc. have already implemented these technologies. The sole driver for how this technology is configured and used is the customer.

CUSTOMER SERVICE

Customer access to the products can occur in several ways:

- *through a private sector Map Dealer*
- *through the General Public Gateway - a contracted function*
- *through the USGS Earth Science Information Centers (ESIC's)*

Customers will be able to obtain products and information through a 1-800 number, fax or mail, or by walk-in to map dealers and ESIC's. Customers will not need to understand the organization in order to obtain products and information, as is now the case.

All of these customer "gateways" are directly linked, via Electronic Data Interface, to the Product Delivery System. The Product Delivery System is organized around three primary components represented by empowered, cross-functional teams.

The Customer Fulfillment Team is responsible for the customer from start to finish. They can handle processes including customer account services and materials handling. These teams are assigned to blocks of customers, such as federal and state, ESIC's, Map Dealers and the proposed contractor operation. Hershey Inc., for example, centralizes all processes for a customer with a team. Each team will handle:

- *customer account services: activate, adjust, problem-solve orders, set-up accounts, provide information; and*
- *materials handling: pick/pack/ship/close orders, receiving, inventory movement.*

The Systems Management Team will maintain and improve the technological systems that are the backbone of the concept. This team will also be responsible for information data bases, interactive catalogs and communication linkages within all three tiers.

This team has four primary areas of responsibility:

- *order processing: EDI system management, order scheduling, routing and reports;*
- *financial management: interface with Federal Financial System (FFS), reconciliation of accounts, report generation, sales activities, cost recovery information, Office of Financial Management (OFM) interface;*
- *inventory management: oversight of the inventory function, product availability data base, restocking, reordering, standing orders (automatics and immediates), mailing lists, facilities design and coordination with the Branch of Printing; and*
- *network support: information exchange communications support, standards for other federal agencies interface.*

The Systems Management Team will provide the technological support and initiatives for all distribution processes, warehouse design, programming and electronic network support.

The Management Team serves in a support function for policy guidance, planning, budgeting and human resource management. Management attention focuses on:

- *strategic planning: budget, goal setting, facilities, human resource planning and liaison with internal customers and other Federal agencies;*
- *policy guidance and interpretation as part of assisting with development of procedures and safety issues;*
- *human resource management: training/ education, personnel, incentives, measurements and staffing;*
- *operational issues: budget, facilities, safety, equipment;*
- *liaison with Headquarters and the Board of Customers; and*
- *contract management and legal questions.*

This team coordinates and responds to policy and regulations that come from organizations outside the Product Delivery System, such as the Earth Resources Observation System (EROS) Data Center, mapping centers, other federal agencies, Office of Management and Budget and all requests for emergency assistance, whether federal or state.

This team is responsible for support and direct interface with the Board of Customers. This Board, meeting on a regular basis (regionally or in groups based on user definitions), will have representatives from: primary customer groups, Direct Access Teams, Information Exchange components, Systems Management Team, private sector, other federal/state/local organizations, USGS ESIC's, the map dealer network, the General Public Gateway contractor, and the USGS divisions. The Board will provide direct input to management on customer concerns, new processes and improved technologies in the private sector.

Along with the formal interface with the Board of Customers, continued communication with other distribution organizations is highly recommended. During our interviews, personnel from Hershey, Baxter and John Deere expressed strong interest in continued participation in our reengineering efforts.

Managing Teams

Because teams are cross-functional, team members will be able to handle all processes from beginning to end. This is directly opposite the current approach in which personnel perform only specific tasks. Teams will be able to move to other areas depending on work load requirements.

All three teams will have performance measures based on outcomes. All three will also serve as pilot applications of pay banding. Teams will work under generic position descriptions and within paybands that reward broad-based knowledge and skills. Use of paybands in this design will be recommended as a pilot project. The paybanding project will apply to all three teams and will be undertaken with the assistance of personnel from the Office of Personnel Management. Paybanding can provide an opportunity for resolution of classification problems, GS/WG issues and implementation of a cross functional approach, combined with team-based performance measures.

Using New Technology

The backbone of the proposed distribution system is the linked EDI that provides access to

the products. Anyone can gain direct access to the distribution system via EDI if they so choose. This option will be offered on a subscription-type basis, and customer groups using this access will be provided a discount. This approach virtually eliminates the order entry function in the existing system. Customers without EDI access, chiefly the general public purchasing one or two products at a time, will be served primarily by a contractor.

This contract - referred to as the General Public Gateway - will process customer requests that come in on a 1-800 line or by mail or FAX. The contractor will provide for credit card purchases, purchase orders and checks, plus options to overnight products at appropriate charges.

The USGS Earth Science Information Center's and the existing Map Dealer Network will also be responding to customers without EDI access and these three components (contractor + ESICs + Dealers) will be linked electronically in order to service their customers. In addition, the newly-defined Map Dealer Network (using EDI) will be encouraged to establish their own customer-supplier network to provide products to smaller, low-volume dealers who do not have EDI access. Mail orders will be eliminated and money handling will be dramatically reduced.

The other critical technology required for this systems concept is barcoding. While the Team realizes that it will take time to barcode all USGS products, the sooner a full scale conversion to barcoding occurs, the easier it will be to implement this design.

Current technologies in the private sector clearly provide for paperless processing, instant identification of products and information and delivery of the product based on customer needs. As was evident at sites such as Hershey, Inc. and John Deere, systems that are customer-driven also result in better utilization of personnel, equipment, facilities and management.

At full implementation, the System should be self-sustaining. Self-sustaining also implies that the activity would be reasonably free of traditional restrictions such as hiring freezes, budget process restrictions and equipment procurement methods. As with any reengineering investment, initial expenditures would likely be pro-rated over several years of development. After a period of evaluation and assessment, these activities should be generating enough revenue to reinvest in the information dissemination activity.

Making it Easier to Work with Customers

Private sector participation is the most dynamic aspect of the design. Agreements will be signed with map dealers who use EDI to order from the Product Delivery System, which interfaces with the financial and inventory system. The dealers will order products directly on EDI and use EFT (electronic funds transfer) for payment. These requirements may reduce the number of smaller firms who participate, but the team believes that the larger dealers will respond to market needs and quickly organize their own networks to supply low-volume, intermittent dealers. There will be a Direct Access Team for dealers to handle their questions and orders from start to finish.

In addition to obtaining products from the network of dealers, the general public can obtain products (frequently one or two maps at a time) through the contracted General Public Gateway. This contracted function will provide 1-800 access and accept fax and mail orders. Customers can place orders over the phone using credit cards or EDI. Arrangements for special shipping, (i.e., overnight) will be available at fee-for-service costs. At full implementation, 24-

working hour service can be provided. This activity does not need to be located near the distribution activity and will not need to house inventories of products. A Direct Access Team will be assigned to this activity.

Many small orders will come from the General Public Gateway. However, in our research and data collection, the Team learned that picking/packing/shipping of the low volume orders was not a problem. The problems arose with the order entry process and the interface with an inefficient computer system. The contracted General Public Gateway will order via EDI, generating all the information necessary for order fulfillment, billing, picking, packing, and shipping. This process is used by several corporations the Team visited in the private sector. Some corporations (Hershey, John Deere) are using paper-less processing of all orders. Others (Aspen, Jeppesen, Baxter) are moving towards that objective.

The contract will require that:

- *the organization interfaces with the USGS financial system;*
- *the organization uses EDI to transmit orders;*
- *electronic funds transfer will be used to deposit monies;*
- *a variety of payment options be provided to customers, including credit cards, EDI, checks, and purchase orders;*
- *performance measures for all activities be in place and reviewed regularly;*
- *periodic customer surveys be performed;*
- *the organization be represented on the "Board of Customers;" and*
- *1-800 calls, requiring in-depth, technical research be transferred electronically to appropriate sites in the information network.*

The ESIC's will provide access to the public for earth science information, technical research, product explanations and network resources, including products and information from other Federal agencies. The ESIC's will have direct access to the distribution system via EDI and will carry limited inventories of selected products using an 80-20 rule (80% of the customers want 20% of the product). Customers will also be referred directly to the 1-800 number for quick service on other published products.

The focus of the USGS ESIC's will change from standard paper products at some sites to information on and about those products, technologies and networked research using WAIS, GLIS and various other networked earth science information gateways. Linkages to the EROS Data Center and the NSDI Clearinghouse will be critical. USGS ESIC's will be able to reduce operational costs through reengineering current approaches to inventories of published products, as well as possible co-locations with related information sites. In the near future, the option of on-line data distribution can be accommodated as well.

Government customers will establish accounts with the distribution activity using EDI and EFT. For government customers who do not use EDI, any of the three previous gateways are available for their access.

THE INPUT SYSTEM

The input system provides the products that are to be disseminated. The customer-supplier issues in these activities (Branch of Printing and other Federal agencies) are critical to the success of the design. A strong, defined, systematic

interface is needed. Although our review does not address these components in any detail, barcoding standards and implementation, just-in-time (JIT) printing, input to the inventory data base and the product availability data base must be interfaced with the Branch of Printing. The Team strongly recommends that a reengineering effort be undertaken immediately with components of the Input System. Current industry practices have clearly demonstrated the importance of supplier-customer partnerships. Jeppeson-Sanderson, for instance, has a representative from the U.S. Post Office participating in their reengineering effort.

CHANGING PROCEDURES

As with anything new, change will need to occur at several levels. Information and product distribution must be recognized as a critical component of our organization.

Among the most critical procedural changes are:

- *Implementing the Team and pay band approach. This approach should be established as a pilot project, with full participation from USGS Office of Personnel and OPM support. Traditional personnel structures will not be applicable in this design and will, in fact, be counter-productive.*

- *Providing no-year funds to purchase of equipment, facilities design, adding new products, systems, modifications and ongoing reengineering efforts. In addition to taking full advantage of no-year funds, the benefits of a working capital fund should be explored.*

- *Revising pricing and discount policies. Sliding scale discounts should be discontinued. Discounts should be offered via EDI only. Discounts to Federal and state agencies also should be discontinued.*

- *Increasing map prices. Most people feel the USGS is not charging enough for our products.*

- *Seeking more timely customer feedback. To conduct rapid customer surveys, the Paperwork Reduction Act's required clearances for data gathering should be waived, or OMB must commit to rapidly granting these clearances.*

Performance Measures

The key measurement of success for the distribution of products is Right Product Right Time, or RPRT. Quantifications of this measurement focus on outcomes, rather than outputs - did the customer receive what they wanted, when they wanted it, rather than how many maps are shipped in a day. Another measurement will be provided by a Board of Customers to be supported by the Management Team. The Board will represent customer groups and include representatives from the private sector.

When the new distribution system is fully implemented, the team expects the following results:

- *A 50 percent reduction in mail handling.*

- *The order entry function will be eliminated.*

- *Stock and Inventory management will no longer be a manual process.*

- *Accounting will be process system based, with FFS and DORRAN (Distributed Ordering, Research, Reports Accounting Network) running simultaneously.*

- *Order repulls and reworks will be significantly reduced; and*

- *Order fulfillment time will be reduced from two to four weeks to 24 hours.*

Implementation of individual components of the Team's recommendation, such as barcoding and EDI, without implementing an overall System concept approach, will continue to yield the same problems inherent in the current "design". "Fixing" of processes, no matter how large, or automating activities, no matter how technologically advanced, does not address the current situation of compounded processes and lack of an overall design.

USGS management has accepted the Team's central recommendations and implementation has begun.

Bureau of Reclamation

- Crop Reporting Program and the Reclamation Reform Act

By working closely with the Agricultural Stabilization and Conservation Service of the Department of Agriculture (USDA), the Bureau of Reclamation Team determined that both agencies were asking the same customers for similar information. Of 187 questions asked on Reclamation forms, 142 were the same as those answered in Agriculture's automated State and county records system. The Team recommended testing a system which would require only one agency to collect the information, reducing customer aggravation and cutting redundant efforts. This Team also identified several regulatory changes that will cut the costs of enforcing Federal laws dealing with water supply throughout the west, freeing up human and financial resources to focus on areas where problems are known to exist.

The Reclamation Act of 1902 established a Federal program of irrigation project construction and financing to create farming opportunities and to thus encourage the economic development of the arid West. Today, Reclamation projects in the 17 Western States (westwide) deliver irrigation water to approximately 137,000 landholdings through contracts with 588 water districts (districts). Over 10 million irrigable acres are farmed by water users in these districts.

For over half a century, the USDA's Commodity Credit Corporation (CCC) has been agriculture's "bank," as the Federal Government's financing arm for an array of domestic and international farm programs. The Agricultural Stabilization and Conservation Service (ASCS) county offices make price support loans or payments to farmers by issuing checks on behalf of the CCC.

The Reclamation Team focused on two programs within the Interior and one within the USDA. The Interior programs were the Reclamation Reform Act (RRA) and the Bureau of Reclamation's (Reclamation) crop and water use reporting program (Reclamation crop reporting program). The USDA program was the ASCS acreage and crop reporting program. These programs were chosen because of the thousands of customers that are or potentially could be involved. Although customer participation in all three programs is not mandatory and varies a great deal depending on geographic location, the Team is aware of customers participating in all three programs that experience duplication in the data collected by the applicable agencies. The team believes more cost effective and efficient methods can be used by the agencies to collect the required data to administer the programs.

The Team gathered information on the:

- *costs associated with program(s) administration,*
- *historical data concerning customer compliance with program(s) requirements,*
- *customer acreage information,*
- *current program(s) requirements, and*
- *progress of an existing pilot program for crop, acreage, and water reporting.*

Additionally, the team drew upon the experiences of existing agency staff and more than 10 years of program administration data to better define the needs of the customer.

Because most of these programs are driven by legislative mandates, it is difficult to eliminate non-value added steps in the current Reclamation processes. The Team's goal was to identify and implement program changes that would be more efficient, effective, and less intrusive to the customer while still adhering to the provisions of the respective laws.

RECLAMATION REFORM ACT

Prior to initial water delivery each year, districts must obtain acreage disclosure forms from all landowners and lessees whose total Reclamation project holdings exceed 40 acres. Reclamation does not usually contract directly with individual landholders for the delivery of Reclamation irrigation water. Rather, Reclamation contracts with districts (297 districts of all sizes are currently subject to the forms requirements of the RRA) which, in turn, make deliveries to individual customers. After the enactment of the RRA, Reclamation determined that the most effective method for RRA administration would be for the districts to be the initial point for data collection and for determining the eligibility of lands to receive Reclamation irrigation water and the water rate to be charged. In this capacity, districts function as quasi-governmental units.

Districts identify landholders who have over 40 acres. They are required to file RRA forms. The districts provide the RRA forms to the landholders for completion. Districts then determine the eligibility of the landholders for Reclamation project irrigation water. If the forms are completed accurately, the landholder is eligible to receive project irrigation water.

In most cases it is necessary for the districts to make additional contacts with the landholder(s) concerning proper form(s) completion. Frequently, Reclamation makes additional landholder contacts to correct problems identified during compliance reviews. These contacts result in increased administrative charges to the districts, which are passed on to the landholders. They also result in decreased customer morale and satisfaction.

A more efficient and simplified reporting process would result in landholders meeting the reporting requirements the very first time, resulting in cost savings to the landholders, districts, and Reclamation. For the most part, the problems identified are the result of a lack of understanding of legal requirements.

Changing the Thresholds

One of the biggest complaints Reclamation receives concerns the reporting requirements that are placed on all landholders having more than 40 acres westwide. The reporting requirements are virtually the same for a land-

holder with 50 acres as they are for a landholder with 900 acres.

Reclamation's customers have repeatedly broached raising the reporting threshold during public meetings and in other forums. Additionally, in response to a 1992 notice of intent to raise the current reporting threshold, Reclamation received comments from 215 customers of which 151 (70.2 percent) supported raising the threshold to 320 acres.

The Team spent a great deal of time looking at landholder and district information collected over the last 10 years (i.e., size, type, location, billings, types of violations identified, etc.). The data demonstrated that ongoing compliance problems associated with the small to medium sized landholder are not occurring.

If the current 40-acre reporting threshold was raised to 160 acres, approximately 23,319 landholders, or about 60 percent of the current landholders required to report under the RRA, would become exempt.

Because the law specifically addresses different landholding entitlements for landholders under prior law and the discretionary provisions, the Team recommended that the following tiered system be adopted:

- *Steps should be taken without delay to raise the existing reporting threshold to 160 acres for prior law landholders and 320 acres for landholders subject to the discretionary provisions of the law to become effective as soon as possible (most likely by the beginning of the 1995 irrigation season).*

- *A 0- or 5-acre reporting threshold should be adopted for landholders under the discretionary provisions of Reclamation law benefiting more than 25 persons.*

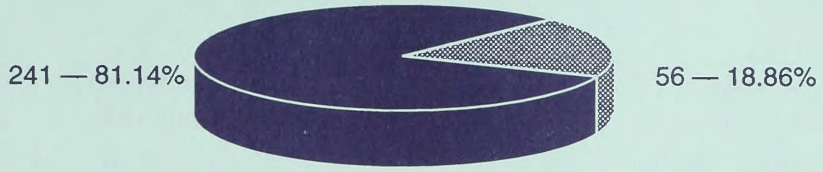
Performance Measures

The simple reduction in paperwork as a result of adopting this recommendation will result in tremendous savings in time and effort by Reclamation, the districts, and the customers. The Team estimates that the average reporting time (burden hours) required to complete a form is 0.31 hour. Applying a 0.31 burden hour under a 160-acre reporting threshold would result in a direct savings of over 7,200 burden hours to the landholders. Applying a 0.31 burden hour under a 320-acre reporting threshold would result in a savings of over 9,400 burden hours. Districts and Reclamation would experience cost savings as well. Reclamation would be in a better position to direct its current resources towards the larger landholders where abuses are more likely to occur.

Reclamation's management has decided that a decision on rasing thresholds is premature. Reclamation is in the initial stages of developing an Environmental Impact Statement on the Reclamation Reform Act that will consider this option.

Adopting an Incentive-Based Compliance System

According to Reclamation's second 3-year district review cycle, over 81 percent of all districts westwide had no serious repeat violations (See Figure 2). The majority of districts have demonstrated an ability and willingness to motivate their customers to fully comply with the reporting requirements of the RRA. These districts, in general, have also invested the time and effort to assure that their land and landholder information is complete, up to date, and well organized.



Districts With Repeat Violations Westside

Individuals With Repeat Violations Westside Resulting in Full-Cost (Compensation Rate) Billings

Figure 2

The Team recommended that Reclamation design a system allowing relief from current reporting requirements. Fully compliant, well-organized districts would be allowed to petition Reclamation for permission to participate in a less restrictive compliance program. The system would allow qualifying districts to collect and organize most required information in a manner and format of their choosing. Data collection could be accomplished by computer, by hand, or by continuing to maintain present RRA forms. Additionally, participating districts would not be required to collect annual verification forms. Rather, they would only be required to update data when landholding changes actually occur.

An RRA panel would consider a number of requirements in determining the propriety of permitting individual districts to participate in program privileges. Only districts meeting specific performance measures would gain entry into the program. Reclamation would continue conducting district compliance reviews. The district's system of landholder information collection would be used and evaluated. If performance requirements were not met, the district would automatically revert to the old system of reporting.

Implementing this option will require a major shift in responsibility for oversight of RRA administration. Rules and regulations would have to be written, approved, and adopted that would waive the current requirement of annual reporting for irrigators in those districts in the program.

Performance Measures

The Team anticipates a decrease in the number of repeat landholder violations (164 identified from 1987 to present) and a decrease in the number of repeat district violations (56 identified from 1987 to present) as this program is instituted (See Figure 2). We also expect to

see a measurable increase in voluntary compliance and overall cooperation as districts begin to realize savings in time and effort complying with RRA requirements.

Presently, Reclamation has 44 full-time employees (FTE's) devoted to the administration of the RRA program. The Team believes that this number will decrease as district and individual noncompliance decreases. In fiscal year (FY) 1992, Reclamation spent approximately $1.1 million on RRA compliance costs. Similar costs are experienced by districts, with actual costs being dependent upon the number of irrigators within the district. By reducing the annual burden of verifying the status quo, Reclamation and the districts should realize savings in personnel hours and dollars.

Reclamation's management agrees with the thrust of this recommendation and will study specific issues related to its implementation.

REDUCING CROP REPORTING REQUIREMENTS

Reclamation Program

Each year Reclamation publishes a document called "Summary Statistics" that includes information on water distribution, crop acreages, and overall crop production from Federal irrigation projects. The report represents an annual snapshot of the benefits coming from Federal irrigation projects. Most districts are required to report crop and water use by existing repayment and water service contracts with the agency.

Districts have experienced various levels of success in receiving the requested information from their landholders. Districts have also exercised various levels of commitment to obtaining the requested information. As a result, in many cases, it is necessary for the districts to estimate acreage, crop, and yield information, because the landholders fail to submit the required forms. This results in inaccurate information.

Presently, Reclamation spends over $150,000 westwide on its crop reporting program. A great deal of time is spent by Reclamation's project and regional offices reviewing the information for accuracy and completeness before it is compiled. In numerous cases, it is necessary for Reclamation staff to contact the districts to correct or clarify errors or omissions on the submissions, resulting in considerable delays in the reporting process. In addition to delaying the entire process, these omissions and errors result in additional program costs, an unreliable final product, and inefficient use of staff and resources.

Discussions with Reclamation water users show that our customers question the need and use of the data collected. They are dissatisfied with the perceived benefits resulting from the crop reports.

ASCS Acreage and Crop Reporting Program

In 1992, ASCS collected information on over 1 million farms and 1.5 million producers in the United States. Crop, acreage data, ownership identification, and other summary information was collected by ASCS on 78 million acres with much of this information available for producers in all of the 17 Western States.

In order to participate in Reclamation or ASCS programs, customers must provide vital information on their farming operations. The customer's initial preparation for participating with the ASCS is similar to the basic data

input required under Reclamation's RRA and crop reporting programs. The customer goes to the local ASCS county office to provide their information. County office staff obtain information from the customer concerning farm boundaries, tract boundaries, and field boundaries, as well identifying ownership and location of acreages on aerial photographs. This information on ownership and acreage for the farming operation is recorded in the automated farm and tract system.

While ASCS and Reclamation programs differ in the rules and regulations governing their respective programs, the initial impact on the customer is basically the same — landholders and producers are required to comply with the forms requirements of the respective programs. ASCS and CCC programs are available to all; however, it is the customer who decides if he or she will participate. As with the Reclamation programs, if a customer participates, the customer must meet program eligibility requirements and is subject to complying with all program provisions. However, customers meet only those ASCS program requirements associated with the specific program(s) in which they participate. The customer also receives direct assistance from competent ASCS specialists when completing the required program forms as the customer must be present at the ASCS office to "certify" and "report."

Reclamation/ASCS Data Duplication

The Team conducted an analysis of Reclamation's forms to identify potential data duplication through a review of questions asked of the customer by both agencies. The Team found that of 187 questions asked on the RRA forms, 142 were the same as those answered in the ASCS automated State and county records system. Fully 76 percent of the customer information required for RRA may be already available in the ASCS records. Reclamation's compliance and audit process provides for a check and balance system approach to ensure RRA compliance. It is similar to that of ASCS. Both provide opportunity for the regulatory agency to locate noncompliance and apply the appropriate remedy.

The ASCS Automated System, may help eliminate duplicate data collection. The shared information could be used for interagency applications like crop reporting, RRA, ASCS farm programs, Federal land acquisitions, wetland delineation, county records, and other items. The establishment of data and software standards, and the use of compatible computer hardware, will be necessary for any real advance in data sharing.

Pilot Program

In an attempt to better address customer needs, Reclamation has recently initiated a small pilot program within its Pacific Northwest region concerning crop and acreage reporting by customers. Reclamation staff has been working with two ASCS county offices and two districts in Idaho for the last year in this endeavor. While the entire process is not yet completed, the findings to date have been very encouraging. The "mechanics" of the pilot project have successfully demonstrated that the process will work and the focus of the pilot will turn to increasing the number of landholders currently participating.

The Team recommended that Reclamation enter into an interagency cooperative agreement with ASCS to conduct an in depth pilot program for an information sharing system. The pilot program would identify ways to enhance Reclamation's ability to collect and

organize data, determine the eligibility of landholders under the RRA, and collect cropping information by sharing information on a computer data base with ASCS.

The joint use of information available in the ASCS history and producer files would allow Reclamation to obtain data and information currently on file in the ASCS State and county offices. The information provided would be used by both agencies for such required information as personal statistics, acreage and crop reports, payment limitations, compliance checks, and other program data requirements. Eligibility and reporting requirements for both ASCS and Reclamation programs could be met at the time of signup in ASCS programs or annually for those customers who are not currently ASCS program participants.

The customers' basic data (name, address, land ownership, leases, crops grown, farm size, etc.) would be provided to the ASCS county office and placed in their computer information system. The ASCS State and county office computer system would be modified to incorporate Reclamation requirements and further reduce the impact on the customer and administrative activities at the water district.

The information would then be available for sharing with irrigation districts, the ASCS, and Reclamation. Additionally, the information would fulfill reporting requirements, eligibility determinations, and compliance checks for participants in both ASCS and Reclamation programs. The system could be used in monitoring quality control, internal checks, and error rates. The team believes other management processes may be enhanced as well by using this shared data base system.

Such a pilot program should include trial programs in diverse project areas that will likely pose different challenges and result in different levels of success. For instance, in the Midwest, between 80 percent and 90 percent of district irrigators are currently participating in ASCS farm programs. The team expects that a computer-based data collection system located in an ASCS office would work quite well in this region. However, because of the types of crops grown, very few irrigators in the Northwest currently participate in ASCS programs. It is unclear if a system located at an ASCS office in this region would work well. It is these kinds of questions that are extremely difficult to answer without implementing a trial system.

Performance Measures

Implementation of a centrally located computer-based data collection system would eliminate the frustration involved in providing identical information to two separate agencies. This would result in savings in time and effort for both Reclamation and its customers. Based on the data reviewed, the team estimates that customers will be able to reduce their contacts with program administrators and spend 30 to 45 percent less time providing data required for participation in various programs.

The recommendation may slightly increase the workload of ASCS initially, as it adds the small amount of additional information required for the administering Reclamation law and crop reporting requirements. As the system became automated and standardized, this "additional" workload would probably diminish significantly. The above process would also require additional action by the districts initially, as they would be required to contact their landholders who do not partici-

pate in any ASCS programs and ask for their cooperation in reporting to the ASCS office(s).

A reduction in administrative costs should eventually result as computer-based data becomes available for joint access and sharing, allowing easy cross referencing and verification. The team expects that a general increase in productivity, efficiency, and timeliness will be demonstrated as a result of implementing this system. The possibility of "One Stop Shopping" seems to address most customers' needs and is expected to be well accepted in most agricultural regions. Districts now required to collect, organize, analyze, and store RRA and crop reporting forms and related information would be relieved of most of those requirements. This will result in large savings in administrative costs for customers.

Reclamation and ASCS programs are becoming more important in the overall administration of natural resources in the United States. The environmental, cultural, and recreational interests of other governmental agencies may benefit by utilizing data collected under this system. Actions considered under the Clean Water Act, Fish and Wildlife programs, and other programs may require the analysis of information similar to that collected under this system.

Reclamation's management has no objections to establishing a pilot project with the Agricultural Stabilization and Conservation Service so long as the costs are shared.

Minerals Management Service

- Mineral Royalty Functions

By making full use of its non-Federal Team members, the Minerals Management Service team was able to gather extensive information from its customers. This successful nexus provided invaluable insights that led to time and money saving recommendations. The Team's system redesign proposals would cut the time required to develop price comparisons for natural gas valuations, simplify forms by eliminating unneeded information requests that currently generate 45% of the error warning messages in the current computerized system, and make it easier for customers to pay royalties electronically — saving customers $140,000 in charges and garnering an additional $244,000 in interest income for the Federal government. In addition, its Customer Service Team recommendation should reduce frustrations encountered by both the agency's customers and its employees.

The Minerals Management Service (MMS) is responsible for environmentally sound leasing and development of energy and mineral resources on the Nation's Outer Continental Shelf, and for managing the revenues from all Federal and most Indian mineral leases. Within MMS, the Royalty Management Program (RMP) mission is to ensure that all revenues from Federal and Indian mineral leases are efficiently, effectively, and accurately collected, accounted for, and disbursed to the appropriate recipients in accordance with existing laws, regulations, lease terms, orders, and notices; and to provide support to technical lease management functions. The fiscal year (FY) 1993 RMP budget was $65 million.

The RMP is organized, for the most part, along functional lines. This creates a labyrinth that customers and suppliers must negotiate to receive answers concerning their particular areas of interest. The MMS' customers are numerous and diverse and often have competing priorities. The Team was charged with improving delivery of services to customers, streamlining inefficient processes, and identifying opportunities for cost savings.

SEEKING CUSTOMER INPUT

The MMS Team included external industry, State, and Tribal representatives. Team members distributed a questionnaire to these communities, including the American Petroleum Institute (API) and the Independent Petroleum Association of Mountain States (APAMS), asking for their assessment of RMP's customer service. Their responses are summarized in figures 3, 4, and 5. In addition, the Team looked at information from internal program sources, interviewed employees and

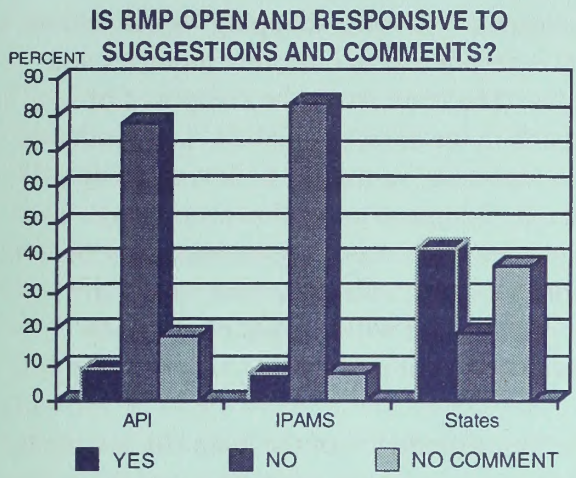


FIGURE 3: Questionnaire results from survey on RMP's responsiveness to suggestions.

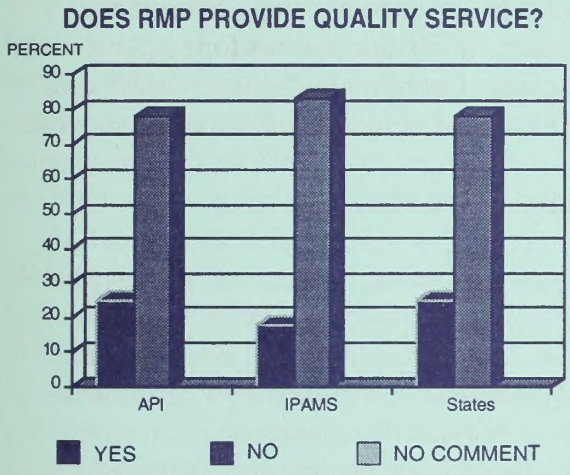


FIGURE 4: Questionnarie results from survey on RMP's quality service.

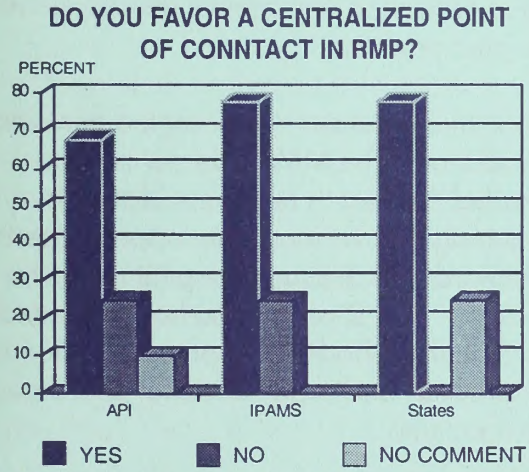


FIGURE 5: Questionnarie results from survey on centralized point of contact in RMP.

developed flow charts of MMS, Bureau of Land Management, and Bureau of Indian Affairs (BIA) functions.

IMPROVING CUSTOMER SERVICE

To address customer concerns, the Team recommended that pilot projects be established in four separate areas:

- *Establishing "Royalty Policy Teams" with customer involvement in policy decision making. Providing customer service through service teams that would be responsible for all RMP functions.*
- *Simplifying the product valuation procedures.*
- *Streamlining the reporting process.*
- *Using Electronic Data Interchange (EDI) and Electronic Funds Transfer (EFT).*

Royalty Policy Teams

The Team found that files affecting a particular lessee or property are scattered throughout MMS depending upon the issues to be addressed. Correspondence and bills are sent to the customer from various parts of RMP. For example, in March 1993, an oil company received 23 bills and 64 letters from four RMP operating divisions.

While MMS is taking steps to improve customer service, the Team proposal addresses a related problem: MMS does not have a formal mechanism for identifying and resolving royalty policy issues promptly and efficiently. The Team's pilot proposal centers on creation of problem-solving "Royalty Policy Teams," to resolve royalty policy issues with its customers.

The customer service recommendations are designed to achieve three specific goals:

- *Improved coordination of customer-based activities.*
- *Customer involvement in policy decision making.*
- *Team alignment of RMP resources to better facilitate communications with internal and external customers.*

Team Responsibilities

The Royalty Policy Teams should identify and resolve royalty policy issues promptly and efficiently at the front end of the process. This should provide additional certainty to payers and auditors that royalties have been properly paid as well as reduce the likelihood of legal challenges.

The RMP, Office of Policy and Management Improvement (PMI), payors, States, or Tribes would identify policy issues/questions that arise and submit them in writing to the Royalty Policy Team. After reaching consensus, the Royalty Policy Team would direct the preparation of the appropriate document delineating the requisite policy guidance. This team would meet monthly or as needed and address directly the issue presented. After examining the issue, the team would provide its written recommendation to the MMS directorate for action.

Customer Service Teams

The MMS team also recommended reorganizing the RMP into teams determined by customer orientation or customer group in order to create a "one-stop-shopping" organization that is responsive to customer inquiries and needs. The team would be composed of experts in the areas of financial and production reporting, valuation, policy, reference data, auditing and exception processing. To implement the concept, team members need to consult closely with customers to identify procedures that will be most effective in addressing their problems.

The best orientation of the team (for example, by payor or by geographic area) and the most effective makeup of team expertise needs to be determined. Team members must be trained and need to develop performance elements in job descriptions for employees at all levels. Coordination between RMP and PMI is essential for the team concept to work.

Performance Measures

This process should reduce the hours spent responding to customer inquiries and concerns, and cut the number of contacts with RMP personnel necessary for a customer to obtain an expedited resolution of an issue. It also should limit the time spent transferring information within MMS and communication among other agencies. All of these measures could be used in determining the success of the pilot program.

MMS management has accepted this recommendation. The MMS Director has expanded the Team's recommendation by requiring that various team approaches be reviewed and appropriate pilot teams be selected. The Director also has requested that other methods for improving customer satisfaction and organizational coordination be identified.

Product Valuation

The current product valuation regulations for natural gas were finalized in 1988 after an extensive rulemaking process. The value determination process is represented by the process flow diagram shown in figures 6a and 6b. The cornerstone of valuation for royalty purposes is the arm's-length contract. Arm's-length contracts are contracts or agreements that have been arrived at in the marketplace between independent, nonaffiliated persons with opposing economic interests. Prices to which a lessee is legally entitled under an arm's-length contract are usually determined by the market forces and thus represent the best measure of market value. MMS' concern arises when the transactions are not arm's-length contracts. A series of benchmarks, starting with comparable sales, is used to determine the royalty owed by the lessee.

Nonfederal team members conducted a survey of the members of the American Petroleum Institute (API) and the Independent Petroleum Association of Mountain States (IPAMS). The member companies were asked if there were problems in applying the current product valuation benchmark system for royalty purposes. The answer was an overwhelming yes.

Simplification of the process may result in significant cost reductions since RMP makes between 275 and 325 product value determinations each year. Each of these value determinations requires 180 to 220 hours. (These numbers include product value determinations and technical determinations provided to MMS, State, and Tribal auditors.) Each of these projects imposes a significant burden on lessees also.

To reduce the complexity and cost associated with the procedures MMS employs when sales of gas are not under arm's-length conditions, the Team focused on the possible uses of spot-market prices for gas.

Spot price information can be used to simplify royalty reporting and collections in determining the value of gas sold under non-arm's-length conditions. In those instances in which gas production is sold by a lessee to an affiliate (non-arm's-length conditions) and for which comparable transactions cannot be found to establish value, gas value would be based on spot-market prices, or other market-sensitive prices, adjusted for location and allowances. The Team recommended a pilot project to assess the efficiency and possible cost reduction under the changes being proposed. In using spot prices as a base, differences created by location and allowances could be determined in the pilot. These determinations would be developed in cooperation with industry.

The Gulf of Mexico is one potential location for testing this approach. The Outer Continental Shelf in the Gulf is a major gas-producing province, so there should be many potential leases and lessees from which to draw participants. Second, the natural gas market in the Gulf of Mexico region is particularly well developed. Third, using offshore leases ensures that there will be no detrimental impact on State or Tribal receipts from the pilot.

Performance Measures

Quantifying the impacts of alternative valuation methods on administrative costs, resource recovery, and revenue must be the primary focus and scope of any such pilot. This approach to valuation should reduce the staff

Product Value Determination Process

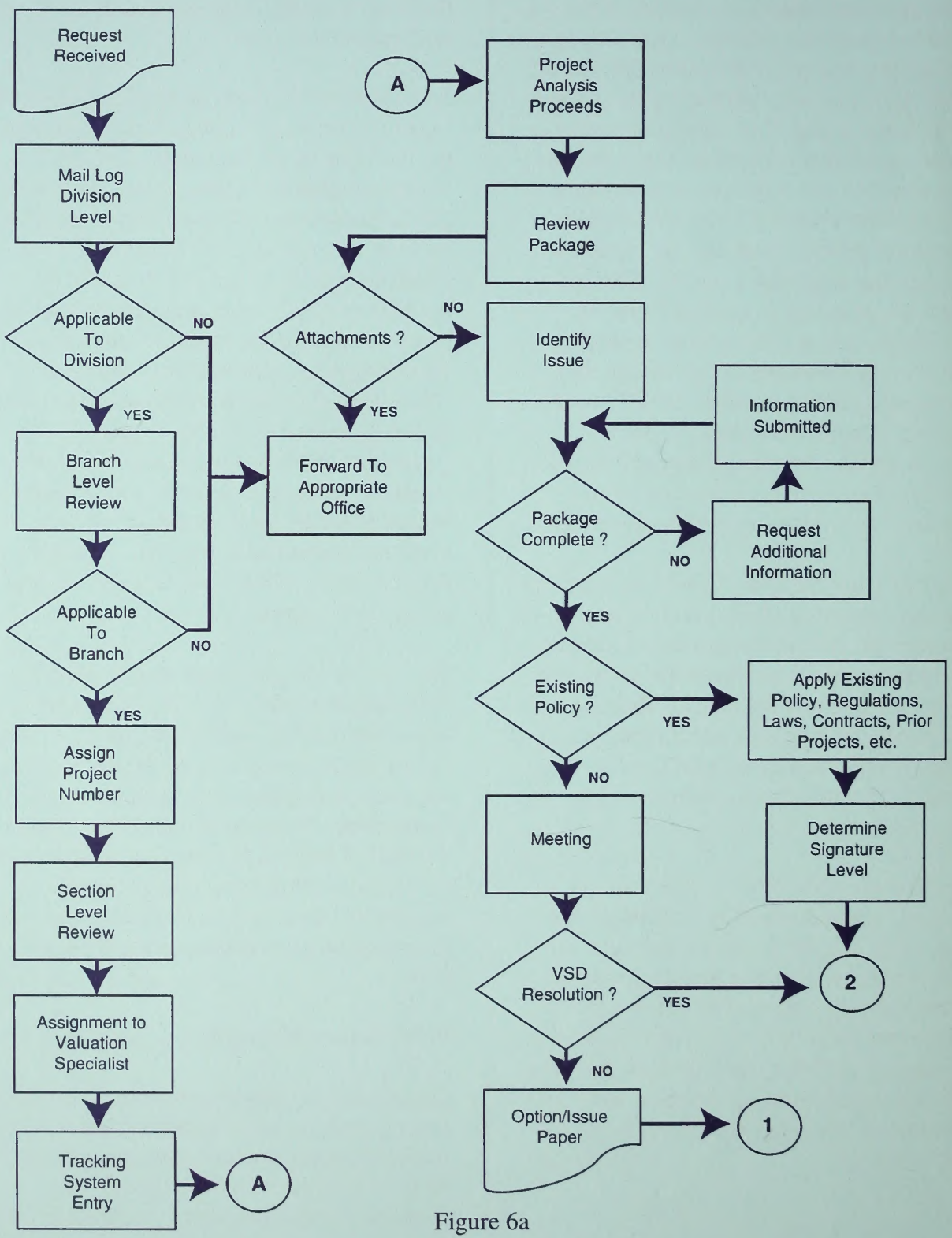


Figure 6a

Product Value Determination Process (Continued)

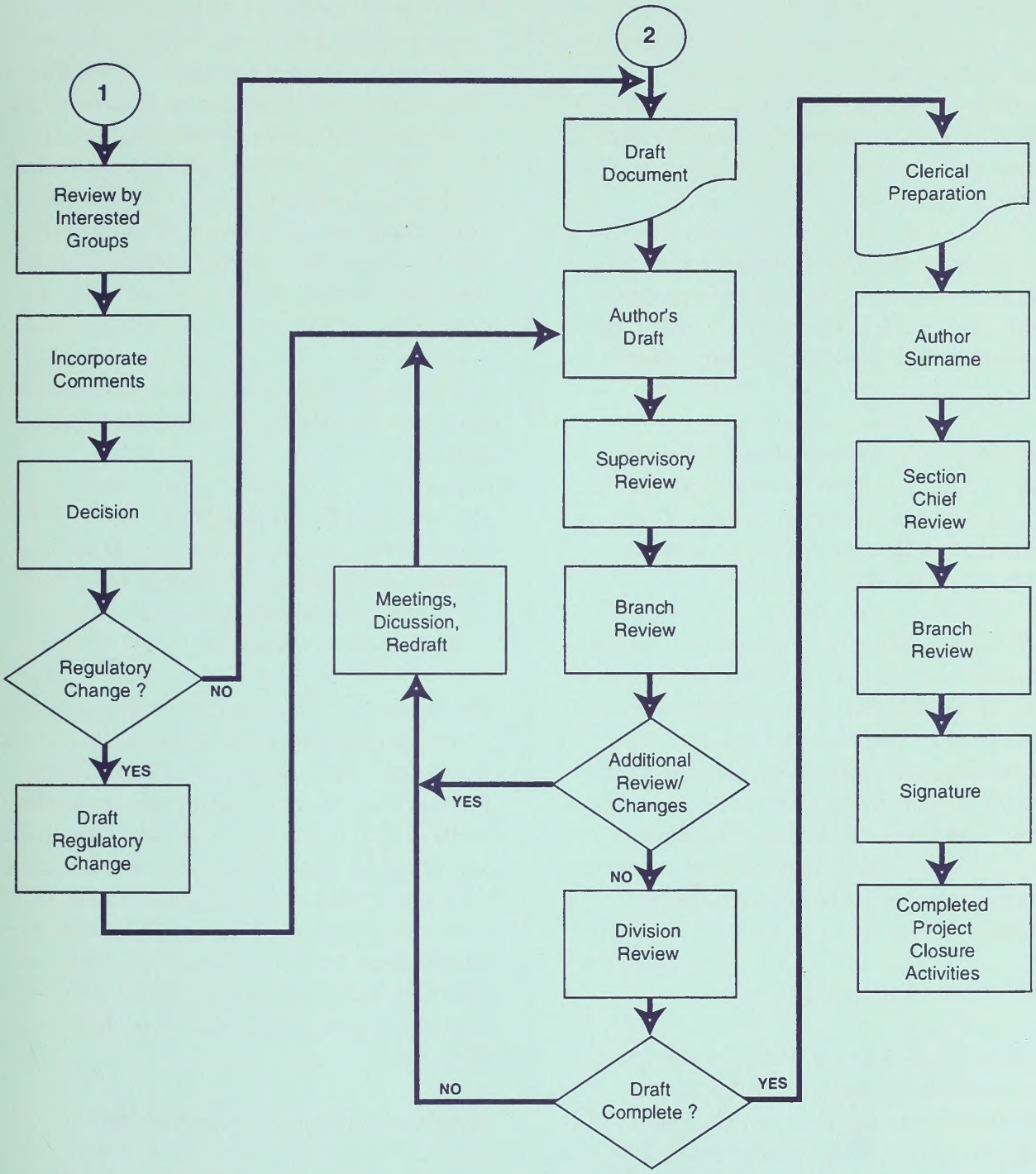


Figure 6b

time and budget associated with controversial product valuation issues. It also should allow the lessee to consider any of its own arm's-length contracts when evaluating its non-arm's-length gross proceeds. At the same time, this approach should eliminate the possibility of MMS utilizing a contract in an audit that is not available to the lessee. This feature adds certainty and reliability in applying the benchmarks.

The end result should be simpler audits, less time spent in establishing the appropriate benchmark, and less time spent in gathering information to apply the appropriate benchmark.

This proposed procedure should reduce the costs and administrative workload associated with current benchmark procedures. To the extent that this is accomplished, customer satisfaction should be improved.

MMS management has rejected this recommendation in part. After consultation with an existing industry advisory committee, the MMS Director decided that implementing this recommendation would be premature. Instead, he will name a team with both Federal and non-Federal representatives charged with determining the best approach for valuing sales transactions in the gas market.

Simplify the Reporting Process

Currently, the royalty reporting process includes over 2,000 payors that report over 200,000 lines of data each month. Each of those lines consists of over a dozen different data elements. The amount of detail and report frequency are the same regardless of the amount of royalties due. In addition, the current process requires complex accounting and research to determine if the proper amount of royalties has been paid.

The Team examined the Report of Sales and Royalty Remittance (Form MMS-2014), which payors use to report monthly royalties from Federal and Indian lands. However, due to the direct correlation between the Form MMS-2014 and other reporting forms, including Payor Information Form (PIF), transportation and processing allowance , and production reporting, the Team recommended that these other reports also be streamlined in a pilot effort.

The Team proposes the following alternatives in an effort to streamline the reporting process:

- *Streamline the Form MMS-2014, the PIF, the transportation and processing allowance forms, and the production reporting forms by eliminating certain data requirements and data fields.*

For example, the Field 15 calculation method codes are used only for reporting sales of natural gas. These codes include the British thermal unit (Btu) method, the net realization method, and the proceeds method. This field accounted for approximately 45 percent of the AFS-generated warning errors in Calendar Year 1992. The calculation method codes are outdated and do not totally reflect current valuation and reporting regulations. Field 15 could be eliminated from the Form MMS-2014.

Alternately, a basic formula such as:

Sales Quantity x Unit Price X Royalty Rate = Royalty Value

could be used on the report.

- *Require less frequent reporting based on a dollar threshold (for example, $500).*

Currently, about one third of the payors reporting royalties on Form MMS-2014 pay less than $500 a month to MMS. Under the new process, a dollar threshold would be established, and payors meeting this level would not be required to submit a Form MMS-2014 monthly, but rather quarterly or semiannually. The Team does not recommend this option for Indian leases.

- *Require fewer detailed reporting levels (rolled-up reporting). The revenue source and selling arrangement could be revised to simplify reporting.*

For example, selling arrangement detail could be eliminated and royalties could be reported at the lease/revenue source level. One feasible option is to use this method for 100 percent Federally owned unit agreements. Different reporting levels should be explored and analyzed in the pilot. The objective of this pilot is to reduce the number of lines and detail reported on the Form MMS-2014.

Performance Measures

Adopting these recommendations should limit the amount of data that is currently being reported. This, in turn, should reduce the amount of time spent by RMP and lessees in entering data, correcting mistakes, and addressing appeals related to the reporting forms.

MMS management has decided to defer these recommendations until the value study directed above has been completed. The recommendations of this study could change these recommendations.

Electronic Royalty Reporting and Payment

The RMP accounts for 25,276 Federal and Indian leases. This represents 1,709 offshore leases, 4,081 Indian leases, and 19,486 Federal onshore leases. To support its mission, the RMP relies on three major automated systems, consisting of nearly 1.9 million lines of coded instruction:

- ***Auditing and Financial System (AFS):*** *Accounts for and disburses bonuses, rents, and royalties.*

- ***Production Accounting and Auditing System (PAAS):*** *Processes and accounts for production data and compares sales volumes reported on production reports to those reported to AFS.*

- ***State and Tribal Support System (STATSS):*** *Provides royalty information to States, Tribes, BIA, and internal users.*

When royalties are due, the payor must submit a payment along with the Report of Sales and Royalty Remittance (Form MMS-2014). In 1992, 8 percent or 6,580 royalty payments (payments over $10,000) were remitted via electronic funds transfer/wires. Ninety-two percent or 78,940 of all payments in 1992 were received via check. However, in terms of the dollar amount of payments, about 92 percent are made via EFT.

This process requires manual data entry and correction of a large number of forms. Data entry costs are budgeted at $1.2 million for Fiscal Year 1993. The process also requires manual processing of approximately 6,000 checks per month.

One of the complications that arises in the reporting process is that even after RMP's 10-

year history, warning error rates are significantly high. For May 1993, these errors accounted for 23.44 percent or 61,550 rejected lines (31,047 lines from tape processing and 30,503 lines from other than tape processing).

A recent questionnaire distributed to members of the American Petroleum Institute (API) and the Independent Petroleum Association of Mountain States (IPAMS) indicates that these customers highly support computer error checking and electronic data filing.

The Team recommended that the RMP conduct a pilot project based on EDI/EFT for reporting and paying royalties to RMP. Such a system would involve the electronic transfer of data and funds. The Team believes that such a system could allow for more efficient transfer of funds and much less costly procedures for collecting data. The new proposed procedure would use electronic data interchange/electronic funds transfer (EDI/EFT) (also referred to as financial EDI) as a means of automating the RMP reporting and payment processes. Figure 7 illustrates the proposed Automatic Clearing House (ACH) payment (EFT) and EDI process.

Proposed Payment Process

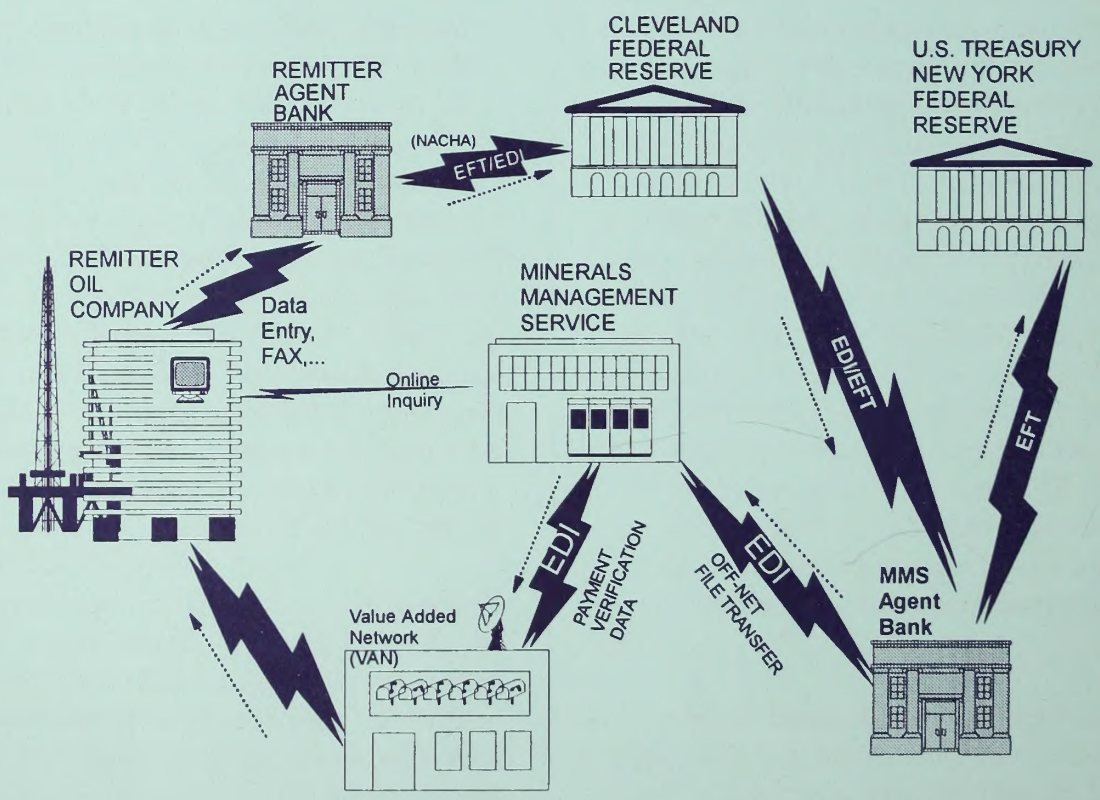


Figure 7

As compared to Fedwire, which costs payors from $15 to $30 per transaction, the proposed procedure would result in a savings of $140,000 to payors. The interest savings to the Department of the Treasury would be approximately $244,000.

Many small companies do not have the ability to initiate such a transaction or will elect not to invest in EDI. An alternative for these payors is the customer-initiated entry (CIE). A CIE allows the payor to originate an ACH transaction for payment to an agency through the company's own financial institution or through a financial institution designated by the agency. The EDI/EFT and CIE can be consolidated into one transmission to be sent to MMS, while the funds can be sent to the Department of the Treasury.

Performance Measures

The Team believes that this recommendation can be implemented with minimal changes to the hardware and software currently being used for royalty reporting and payment. In fact, it should reduce the workload. There should be reductions in tape storage, handling, and shipping from royalty paying customers. In addition, there should be fewer error reports and paper transactions. This should strengthen RMP's relationships with its customers.

MMS management has accepted this recommendation. A pilot with the Petroleum Industry Data Exchange Committee already is underway.

Office of Environmental Affairs

— Natural Resource Damage Assessment and Restoration Processes

The Department of the Interior's Office of Environmental Affairs Team took a close look at the number of steps required to restore natural resources after hazardous waste spills occurred. The existing process is complex for all of the parties involved and creates conflict instead of restoring resources. It is often a multi-trustee, multi-step process with the potential for overlap and duplication in data gathering, as well as gaps in service because of inadequate staffing and funding. The team recommended the creation of regional or State-level NRDAR coordination teams empowered with certain decision-making authorities to facilitate NRDAR activities leading to swift settlements and environmental restoration. Pilot projects are being initiated in cooperation with the multiple resource management bureaus in Interior and other trustee agencies. Implementing the team's recommendations will allow the Federal government to complete a greater number of site restorations in a more efficient and less costly manner.

Natural resource damage assessment is the process by which the government seeks compensation from responsible parties for injury to resources caused by the release of oil or hazardous substances. This money is used to restore the injured resources. The principal statutes — CERCLA (Superfund), the Clean Water Act, and the Oil Pollution Act — empower certain Federal, State, and Tribal officials to act on behalf of the public and others as trustees for resources.

The Department of the Interior (Interior) created a Team of individuals representing diverse State and Departmental interests to develop a strategy for undertaking complex Natural Resource Damage and Restoration (NRDAR) responsibilities in a more efficient and effective manner. The scope of the Team's review was determined through analyses of (1) the existing NRDAR processes, (2) the context within which the processes operate, (3) customers of these processes, and (4) issues, directly and indirectly characterizing customer needs not met. The original task was to look at only Interior's NRDAR; however, the Interior process was intertwined with those of States and other agencies. Thus, the Team reviewed the entire assessment program.

The Team's analysis was based on information from many individuals, representing State and Federal Government at the field and managerial levels, and from the private sector. This broad input provided the framework for reengineering the assessment processes.

The Team discovered that there are few performance measures by which the success of the NRDAR program could be judged. The Team's data collection was hampered in part as a result. Improved performance measures are needed to ensure consistency and

accountability. In the absence of empirical data to evaluate the operation of the assessment program in Interior, the Team conducted an analysis of the process by which damage assessments are executed. This process analysis revealed a number of issues and problems for which substantial improvements can be implemented.

MULTIPLE TRUSTEES

Many assessment cases involve injuries to resources under the management or care of multiple trustees. The Department of Commerce, for example, has its own set of assessment regulations. The Team found that some interagency activities are being done separately by individual trustees without sufficient coordination and cooperation.

Trustee input into hazardous waste program activities, although working well in some parts of the country, is often inadequate in scope and effectiveness. As a result, hazardous substance release remediations often do not protect or enhance the recovery of the environment in the best manner possible. Cost-effective opportunities to encourage Potentially Responsible Parties (PRPs) to undertake restoration (and thereby avoid damage assessment costs) are lost, along with the chance to minimize engineering and oversight costs by combining restoration and remediation actions on the ground.

The Team's analysis pointed to five problem areas common to the overall assessment program:

- *a procedural framework that sometimes leads to duplication;*
- *"restoration," becomes at times an expensive and poorly understood proposition;*
- *inadequate and slow funding mechanisms;*
- *a need for more consistent training; and*
- *a need for greater guidance.*

PROCEDURAL FRAMEWORK

The Team's recommendations begin with two fundamental changes to the philosophy of NRDAR: (1) the mission must refocus on restoration, and away from dollars settled for, and (2) a case team approach, crossing bureau and agency lines, should be used to address NRDAR issues.

Because NRDAR is a process that seeks compensation for injuries, damage assessments are necessarily litigation-driven and adversarial, involving a difficult liaison between science, law, and economics. The process is expensive for trustees and responsible parties alike. Significant time, money, and personnel are often directed toward developing and attacking assessments instead of focusing on the requirements of restoration. Most studies are designed to meet rigorous proof and quantification standards, while providing "clean" defensible injury pictures with the greatest "courtroom" appeal. But they fall short on providing answers for restoration purposes, which is the ultimate goal of the process.

The statutes bar "double recovery" of damages, thus raising the specter that one trustee's independent action may preempt or diminish another trustee's recovery chances. In some cases, trustees work independently to pursue all aspects of a natural resource damages case. Some trustees will work cooperatively, as long as individual sovereignty is not compromised and the damage recovery for "their" resources is not diminished. Trustee agencies, and

Existing Process

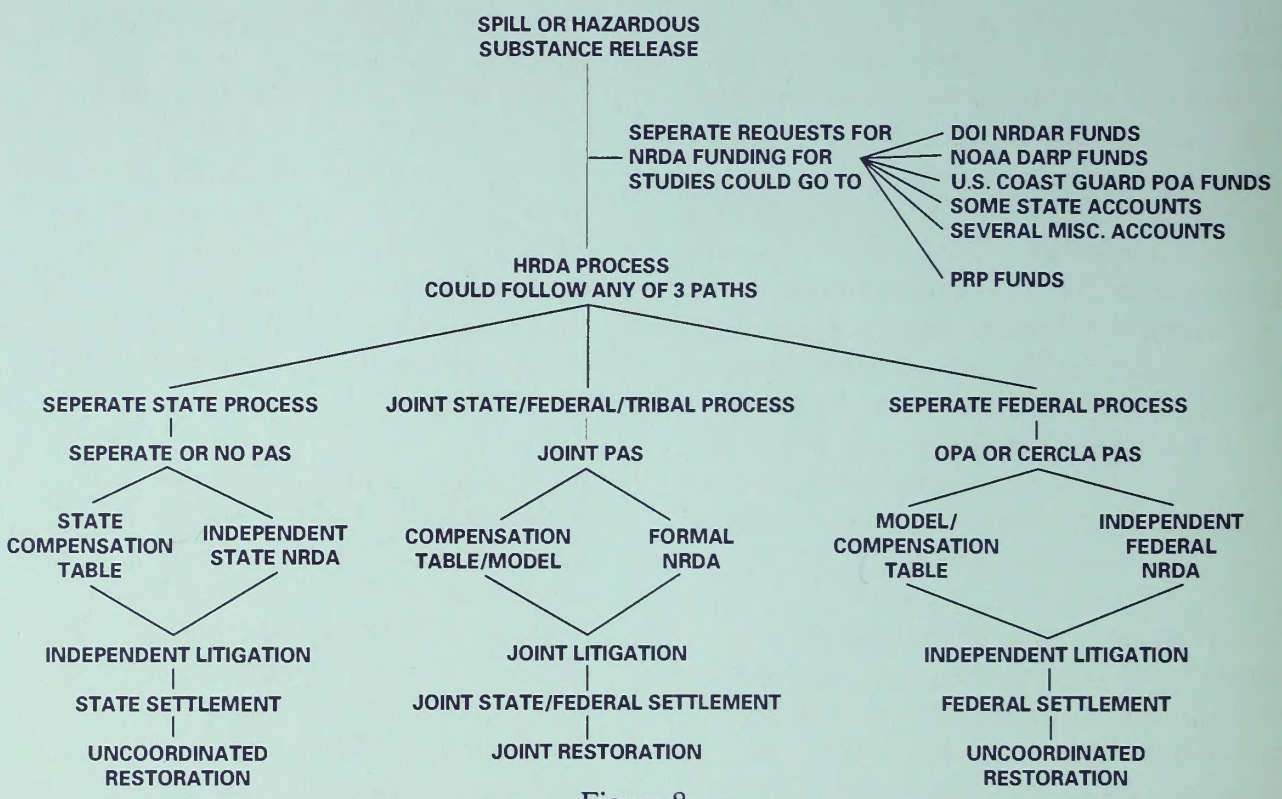


Figure 8

individual bureaus within Interior, can make multiple applications for funding covering assessment of the same incident. As figure 8 illustrates, trustees may develop independent preassessment screens and pursue multiple uncoordinated studies, leading to duplication of efforts and sometimes resulting in inconsistent or contradictory conclusions. Settlement negotiations may also be undertaken independently by each trustee, resulting in enormous further duplication of both trustee and potentially responsible parties (PRPs) staff time and effort.

If settlement is not reached, the potential exists for separate trials, or for trial of one trustee's limited trust interest, which then may either jeopardize or block other trustees from bringing action. Frequently, however, PRP's refuse to deal with a single trustee, desiring a comprehensive settlement.

The customer is not well served by the process. As an example, trustees working on the Exxon Valdez spill ultimately spent in excess of $100 million on damage assessment studies — mostly from appropriated funds although they are reimbursed under the settlement — before settlement was reached. The responsible party, Exxon, spent another $100 million or more in duplicative studies. A combined damage assessment cost in excess of

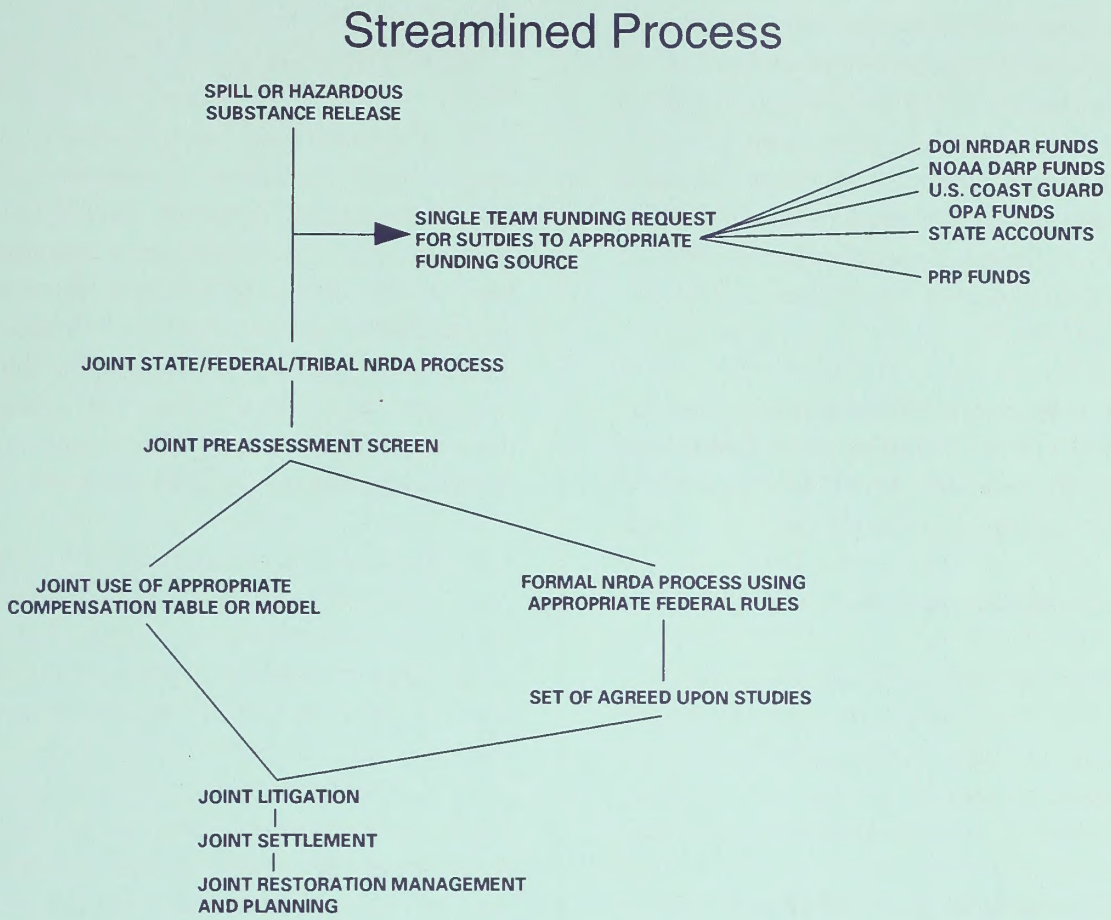


Figure 9

$200 million is excessive, even for a settlement of $1 billion.

To lower the transaction costs of conducting damage assessments, encourage joint cooperative assessments, simplify procedures, expedite decisionmaking, and focus on restoration, the reinvention Team recommended that "standing NRDAR coordination teams" be created to develop and implement a case team approach to assessment efforts.

With these teams in place, the assessment and restoration planning process could proceed in a more timely and coordinated manner, as figure 9 demonstrates. Standing teams would minimize overlap, duplication, lengthy approval chains, delays, and unneeded transaction costs to both trustees and PRP's, while maximizing the restoration effort.

The Team recommended that Interior take the following steps:

- *Initiate a pilot program by establishing two or three standing NRDAR teams as a test. The Team recommended establishment of at least one coastal area team and one inland team. The pilot teams should be given the specific functions and authority that are envisioned for the standing teams.*

- *Amend the appropriate sections of the National Contingency Plan to: allow for the establishment of Standing NRDAR Coordination Teams; provide a definition*

of the teams including their role, function, structure, and organizational authority; require that the EPA/USCG emphasis give equal consideration to protection of natural resources and protection of human health; and strengthen the coordination requirements with trustees specified for the On-Scene Coordinators and Remedial Project Manager's.

- *Draft an Executive Order directing the Departments of the Interior and Commerce to unify the two sets of NRDAR regulations into a single set of procedures.*

- *Develop joint agreement(s) with EPA.*

- *Use existing software/hardware at the National Interagency Fire Center in Boise to create a database of qualified agency personnel, resources, and support services for spill response and assessment activities.*

- *Increase the level of technical assistance to EPA for review of Superfund sites so that natural resource concerns are raised earlier in the process.*

Performance Measures

Implementing this process will require dedicating a certain number of positions to the response teams and delegating new responsibilities to the field level. The result should be reduced duplication, improved sharing of resources, and greater mobility in getting experts to the site of hazardous materials incidents. Measures that might be used to gauge the success of this new process include reductions in the cost of assessments, the time spent in conducting assessments and in the time required for completing restorations.

RESTORATION

Under the current system, the responsible party is liable for injuries to and destruction of natural resources. However, the PRP is under no obligation to undertake the actual restoration; the responsibility for that is often assumed by the Federal, State, or Tribal trustees. The trustees who assume the responsibility for restoration have tended to assume unforeseen costs for settlement fund administration, contracting, and project management.

Cash management currently involves significant, potentially avoidable costs. For instance, the Federal Court system collects a fee of about 10 percent of the interest earned on their registry accounts. A look at four cases shows that these fees can vary from $3,000 to more than $50,000 (not including Exxon Valdez). Cash management costs also accrue within the receiving agencies. Within bureaus, funds may be managed or overseen in turn by two or more organizational levels. NOAA's fund, with a $4 million fiscal year 1994 balance, is not held in an interest bearing account, thus incurring significant lost opportunity costs.

The Team recommended that Interior seek the ability to require PRPs to conduct restoration. Restoration should be pursued through application of settlement monies to projects maximizing the benefit to the ecosystem. At the same time, the Federal government needs to reduce the overall transaction costs—time and activities—brought about by the existing damage assessment and restoration process. By doing so, the costs the public ultimately incurs can be minimized. The resource benefits from earlier and quicker restoration and the public benefits from timely restoration. The following steps are necessary to implement these recommendations:

- *Amend Superfund and the Oil Pollution Act to allow trustees to require PRPs to conduct restoration.*

- *Amend the current regulations so that the restoration plan becomes the basis of the settlement/consent order. While the time taken to reach the consent order may increase, the total time to achieve restoration will decrease because duplication and disputes will be reduced.*

- *Modify existing NRDAR regulations so that trustees can restore on an ecosystem basis.*

- *Amend Interior's NRDAR regulations to distinguish between restoring injured resources and restoring lost use. Provide guidance on restoration of lost use.*

- *Amend Superfund to include injury to cultural and archaeological resources in the definition of losses for which trustees may claim damages.*

These recommendations will profoundly change the structure of the damage assessment and restoration process. They call for a redirection of the assessment program philosophy toward resource restoration and away from dollars settled for and spent. The often troublesome task of assigning dollar values to resource injuries and lost resource uses may be minimized in many cases decreasing the steps associated with monetizing injury.

Funding and Alternative Resources

Within government, different authorities, multiple funding sources and different ways to access these sources result in confusion, unnecessary delay, and inadequate levels of funding.

For example, figure 10 demonstrates that Interior's Department-wide NRDAR Fund is presently accessible only by a lengthy application and fund transfer process involving numerous steps, with funding decisions currently made by a committee of Deputy Assistant Secretaries.

In some cases when the government is fully funding the assessment effort, the process may consume up to 9 months between the funding request and receipt of funds. This has resulted in critical studies being dropped or delayed because of missed legal, contracting, and biological deadlines. These delays ultimately weaken Interior's position on negotiations for restoration funds and undercut efforts by other trustees to carry out joint damage assessments. Thus, customers are paying more for services than they should.

Trustee concerns can be resolved in a cost effective way when they present settlement requirements parallel to resolution of EPA's remediation claims. For six northeastern States, we estimate that Interior was able to develop NRD cases for only about 15 percent of EPA settlements for which notice was received. For these settlements alone, almost $1,000,000 was ultimately received for restoration. Nationally, this process has resulted in tens of millions of dollars for restoration, when in-kind restorations and joint trustee (court registry) settlements are included. Access to Superfund for assessment efforts, even if limited to initiation activities, would permit the trustees to act promptly, work more closely with EPA, and pursue more restoration claims.

The Team recommended that Interior work toward the long-term goal of a single funding source, merging all assessment funds. Interior also should streamline access to its NRDAR

NRDAR Funding Process

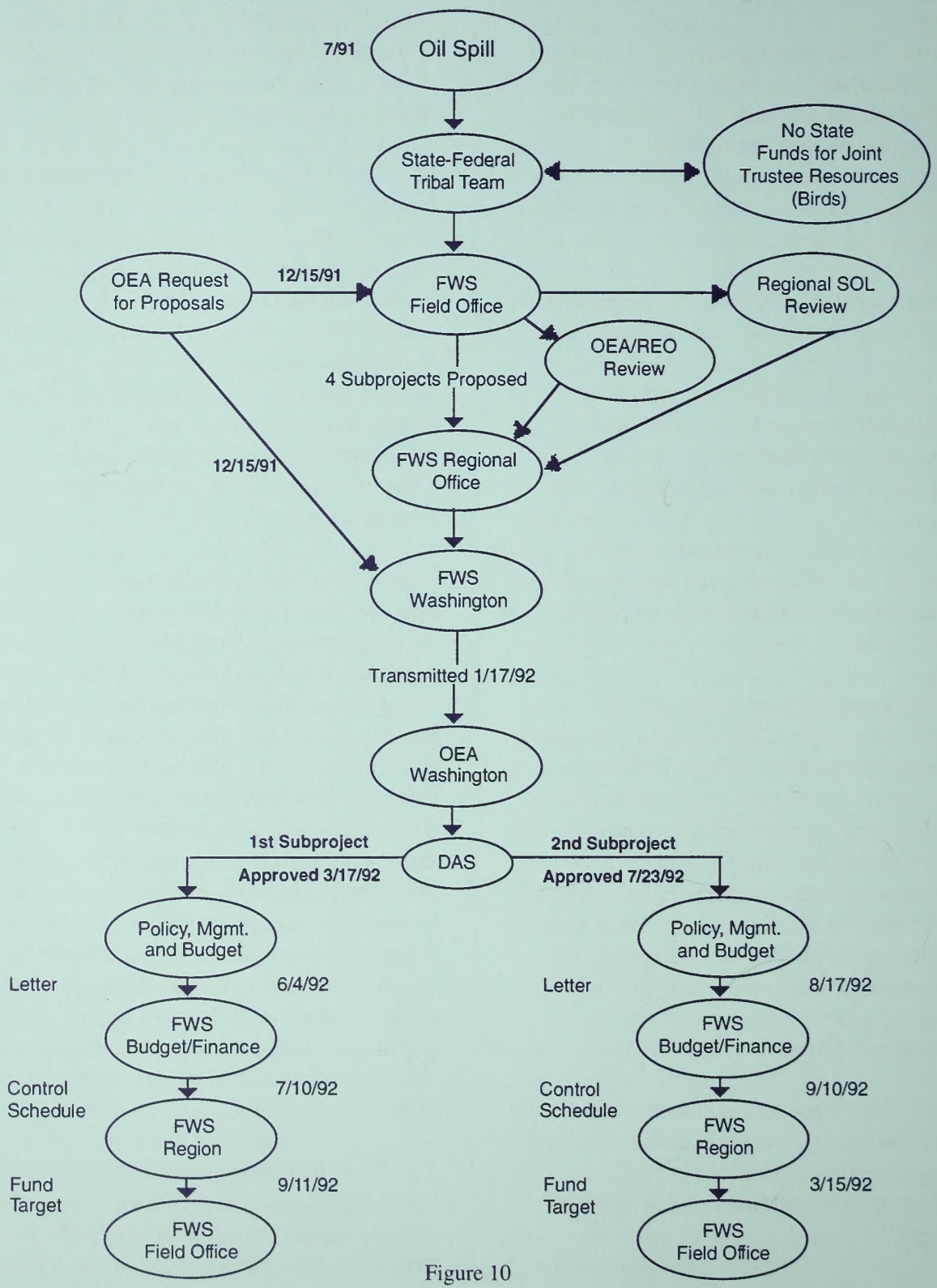


Figure 10

Fund by expediting direct application from field level teams, approval by a subcommittee or working group under the Deputy Assistant Secretaries Hazardous Materials Management Advisory Group (DAS Group), and fund transfer within the bureaus. Figure 9 shows how reengineering could streamline the request and allocation process.

Superfund should be amended to allow use of Superfund monies to conduct damage assessment. These funds would provide benefits for expediting settlements similar to the Oil Spill Liability Trust Fund under the Oil Pollution Act.

Finally, the Department should develop alternative service delivery systems to further encourage third party willingness to restore the environment. Such systems could embrace:

- *Joint projects using matching or contributed funds from nonprofit/not-for-profit groups; e.g., the National Wildlife Federation or Nature Conservancy.*

- *Cooperative efforts with private landowners; e.g., the "Friends of my Backyard Stream" willing to contribute to (maybe finance) a small scale NRDAR.*

- *Contingent contracting; e.g., provide a law firm willing to pursue a clearly liable but uncooperative PRP with a guarantee of cost recovery.*

- *Subsidy/guarantee of cost recovery to a third party if negotiations/litigation are less than 100 percent successful.*

Performance Measurements

Standards need to be developed to measure performance in this area. Comparisons with previous years successes should show improvement under the new systems. Some of the measurements could include the annual total NRDA's executed and resulting in restorations, the number of NRDA's and restorations funded through third party partnership, or the annual number of PRP-financed NRDA's and restorations.

Training

Lack of assessment training leads to repeated studies because of poor or wrong information, resulting in wasted time and money.

According to field staff, as much as 40 percent of assessment sampling and analysis costs are wasted because of bad science, poor planning, lack of communication between trustees, and the fact that assessment activities are not integrated with Superfund remediation activities. Such costs are greatest in more complex cases, where they can reach the hundreds of thousands of dollars. Lack of training is also causing performance inefficiencies in carrying out assessment functions, leading to increased time spent per case, fewer cases handled, and more staff positions required.

The individual characteristics of existing cases tend to make most of them unique. In particular, the investigative and assessment procedures relating to specific spills or contaminants often require customized techniques and a case-by-case approach. Nevertheless, many administrative, communication, and scientific functions do lend themselves to generalized and detailed training. These functions have not been addressed. Training in the scientific concepts and legal requirements for environmental description, assessment, and analysis, as well as procedures to document resource injury and damages, is needed.

The Team recommended that Interior develop a Department-wide training curriculum to address assessment processes and make this training available to outside entities.

Several compelling reasons exist for building a single Departmental training program, rather than developing separate training programs within the bureaus. The assessment process is relatively new to all bureaus, affects them all in similar ways, and brings the bureaus and offices together as trustees. While the bureaus have varying missions and cultures, the functions and objectives in carrying out the assessment process are relatively constant. The bureaus are able to bring varying expertise and assessment-related training to the overall development of the curriculum. Inter-bureau goal-setting, cooperation, and case resolution could be established. Therefore, training should be integrated and consistent.

The costs to develop assessment training would be about 6 workmonths and $20,000 for each new, week-long course. Modifying existing courses would cost 3 workmonths and about $10,000. To establish a curriculum of ten assessment courses could take 3 to 4 years. Each course delivery for 25 students would cost about $30,000, including instructor and trainee expenses. Sessions could be offered to inter-bureau staffs at central locations or regionally. Total training costs, including all trainee expenses, could be $500,000 to $750,000 per year.

Performance Measures

Training would enable staff to perform efficiently in carrying out assessment functions, leading to decreased time spent per case, more cases handled, and fewer staff positions required per assessment workload.

Guidance

Despite the passage of Superfund over 13 years ago, there is little Departmental guidance on procedures, roles and responsibilities for bureaus to refer to in pursuing NRDAR-related activities. Each assessment is approached as if the process were being executed for the first time.

In some instances, Interior has bureaus with opposing interests (PRP v. trustee) at the same site. The Team identified ten specific sites where Interior has both trustee and PRP roles. The number of sites where one Interior solicitor represents a bureau as both trustee and PRP varies from case to case. The data collected showed that in some cases, the same solicitor is representing different bureaus with similar interests (PRP or trustee). In other cases, the same solicitor represents one bureau with both PRP and trustee interests.

The Team recommended that the Department provide policy guidance on assessment roles and responsibilities at sites where the Department may have trustee responsibilities, PRP liabilities or both. This policy guidance should be developed by teams composed of primary stakeholders. Those teams addressing issues extending outside of the Department should include appropriate external stakeholders, such as NOAA and the Forest Service. Each team should provide a specific, consensus-based proposal to the Deputy Assistant Secretaries Hazardous Materials Management Advisory Group for approval. Approved procedures should then be published in the Departmental Manual as appropriate. The Office of Environmental Affairs would develop a Departmental NRDAR Handbook reflecting these policies.

Performance Measures

The results of implementing this recommendation should include a reduction in the number of Interior solicitors assigned to the same site and increased cooperation/data-expertise sharing among participating Interior bureaus. Consequently, the Federal Government should be able to complete a greater number of site restorations in a more efficient and less costly manner.

The Deputy Assistant Secretaries' Hazardous Material management Advisory Group has decided to implement the Team's recommendations by establishing pilot standing NRDAR coordination teams in two regions of the country. Those teams will test the efficiency of the concept.

As resources allow, the remainder of the Team's recommendations will be addressed. In particular, the Department views the need for a "handbook" providing NRDAR guidance as an early priority. Some Team recommendations are being implemented in other venues, such as activities leading to Superfund reauthorization.

Fish and Wildlife Service

- Central Valley Watershed

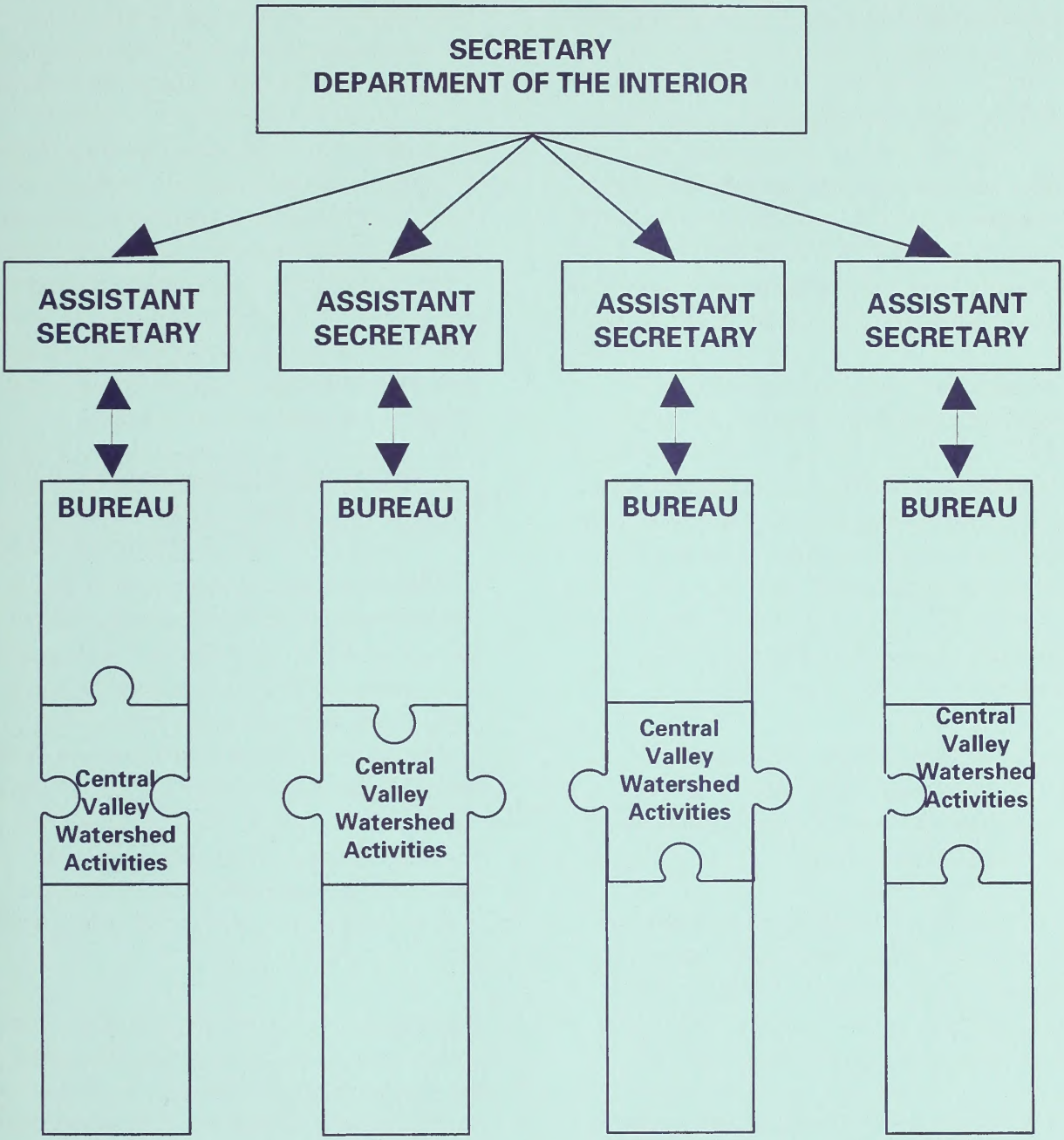
The Fish and Wildlife Service Team, working with representatives from the other major Interior bureaus with responsibilities in California's Central Valley, proposed an approach to ecosystem management. The Team's system would enhance coordination of approaches to natural resources management among the various bureaus with responsibilities in the Central Valley. This approach would provide ecosystem management authority, cutting across the responsibilities of the different bureaus, without disrupting existing bureau structures. The Team also developed related recommendations which include providing "one stop shopping" for the many customers seeking information on Federal resources policy and programs in the Valley.

Interior has extensive responsibilities in the Central Valley Watershed area which encompasses over 60,000 square miles and about 48 percent of California's surface water. The Bureau of Reclamation (Reclamation), Bureau of Land Management (BLM), and the Fish and Wildlife Service (FWS) are the most heavily involved of the ten Interior bureaus. Reclamation administers water development and management activities, particularly the Central Valley Project. The BLM administers the public lands within the watershed, many of which hold endangered plant or animal species. The FWS has a major responsibility for protecting fish and wildlife resources throughout the watershed, with a primary emphasis on migratory birds, freshwater and anadromous fishes, and threatened and endangered species. Other Federal and State agencies and county and local governments also share management responsibilities within the watershed.

IMPROVING COORDINATION

In early August, the Team began collecting information about the bureaus, including each bureau's mission, purpose, authorities, and activities. The Team conducted over 60 separate interviews in an attempt to identify how the bureaus currently work together and how they deal with their customers and stakeholders. The Team identified its customers and stakeholders as the Interior bureaus themselves, other Federal agencies, State agencies, local governments, port authorities, Tribes, environmental groups, special interest groups, and private individuals and landowners.

Figure 11 graphically depicts the compartmentalized manner in which the bureaus have historically functioned. This has resulted in barriers between the bureaus, constraining integrated resource management.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Central Valley Watershed Activities
Central Valley Watershed Activities
Central Valley Watershed Activities
Central Valley Watershed Activities

Figure 11

The Lab data gathering process showed that customers believed:

- *Bureaus have functioned as "Lone Rangers" and managed independently.*
- *Bureaus have not adequately collaborated.*
- *Bureaus have focused primarily on crisis management.*
- *Bureaus have focused on single site or species management, not on the big picture.*
- *Bureaus have inconsistently collected, managed, used, and shared data.*
- *Bureaus have burdensome and duplicative administrative support processes and policies (e.g., personnel, contracting, procurement, space).*
- *Bureaus have consistently opposed one another.*

Some significant actions have recently been taken to foster more integrated resource management and better cross-bureau cooperation within the watershed:

- *The Central Valley Project Improvement Act has created positive change in cross-bureau coordination and planning efforts between Reclamation and the FWS, along with other Federal and State agencies.*
- *A Memorandum of Understanding signed in September of 1991 by several Interior bureaus, other Federal and State agencies, and various local governments addresses California's coordinated regional strategy for conserving biological diversity.*
- *A Memorandum of Agreement recently signed by Reclamation, FWS, National Marine Fisheries Service, and the Environmental Protection Agency improves resource management in the San Francisco Bay/Sacramento-San Joaquin River Delta.*

These efforts are major accomplishments in bringing the bureaus together, forging partnerships, and dealing with complex ecosystem approaches to meeting bureau responsibilities. While each of these programs is precedent setting, there is no current initiative to integrate these efforts and address the Central Valley Watershed in a holistic manner, as a complex and synergistic system.

ESTABLISHING COORDINATED MANAGEMENT

To address this concern and provide better customer service, the Team recommended Interior establish a framework for integrated management of all environmental resource components on a systematic basis. The framework must ensure consistency in development of guidelines, direction, and decision-making within and between bureaus. The Team developed several alternatives for integrating bureau approaches to resource management within the Central Valley watershed:

Alternative 1 - This alternative would continue existing programs. Under this option, the various programs currently underway would continue as they are. The Department would direct bureau directors and managers to review these programs and provide support for ecosystem management, where appropriate. While this approach is commendable, no existing program fully addresses the ecosystem as a comprehensive whole or deals with customer dissatisfactions.

Alternative 2 - This alternative proposes a complete redesign of the Department. It would eliminate the current Assistant Secretary and Bureau Director chain of command. The Department would be managed by a Resource Advisory Board, with the USGS and NBS acting as scientific advisors to that board. This concept would divide the country into "ecoregions" along scientific and geographic boundaries, not political lines. Each ecoregion would be managed as a whole with a structure tailored to meet its specific needs.

Alternative 3 - Rather than dealing with ecosystem issues along functional or programmatic lines, this alternative proposes the creation of Ecosystem Regional Offices. This alternative would provide one organization with the broad, multifaceted mission of managing the entire ecosystem. It would ensure that ecosystem management would be balanced, integrated and systematic. The Team recommended this approach as the most straight-forward technique for establishing an ecosystem management capability.

The Ecosystem Management Model

The new organization would maintain the present bureau structure, while providing the necessary authority to implement a system of integrated management. The proposed model would include establishment of a Interior Resource Advisory Board (RAB), Integrated Ecosystem Management Council (IEMC), and Community Ecosystem Action Teams (CEATs):

The Resource Advisory Board - The Secretary of the Interior would establish the RAB to monitor and be an advocate for the IEMC (see below). This board would be composed of Assistant Secretaries, Bureau Directors, and other members of the Secretary's staff as appropriate. The RAB would allocate ad-

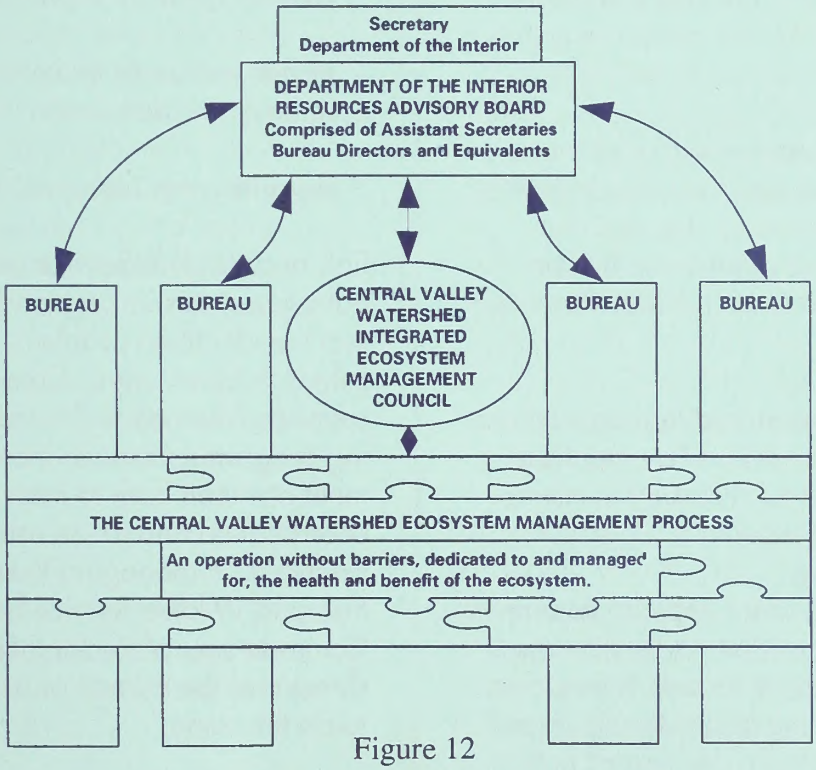


Figure 12

equate funding for IEMC operations, provide high-level policy guidance and feedback, monitor IEMC activities, and assure accountability of the IEMC mission. The RAB will also refine bureau missions to allow bureaus to fully operate on an ecosystem management basis.

The Integrated Ecosystem Management Council - The IEMC would be the hub of the ecosystem management model. It would have overall management responsibility for all Interior activities within the Central Valley Watershed. IEMC tasks include:

- *Developing and implementing an integrated ecosystem management plan for the Central Valley Watershed.*

- *Establishing appropriate Community Ecosystem Action Teams (CEATs) (see below).*

- *Providing oversight, funding, and other support to the CEATs for ecosystem activities.*

- *Establishing a Customer Service Center. This Center would serve as a single point of contact for all customers (internal and external) to request information and/or services related to Central Valley Watershed resources.*

- *Maintaining a centralized Resource Library of information, printed and electronic, to help provide the data necessary to manage this complex ecosystem.*

The IEMC would have the appropriate support functions (e.g., administrative, legal, budget) necessary to accomplish its task. It would act as a catalyst, providing the leadership, expertise, support, and information needed to ensure community participation in strategic planning and resolving local problems. The IEMC would include the Regional Directors and State Director of the primary bureaus. The IEMC would also include representatives of other Interior bureaus, other Federal agencies, environmental groups, State agencies, special interest groups, and business or economic interest groups, as appropriate.

The Community Ecosystem Action Teams - Community-based CEATs would be established by the IEMC to work with communities in implementing components of the ecosystem management plan. The CEATs would serve as the catalysts and communication network of the IEMC. They would work with the bureaus to:

- *foster short- and long-term commitment and planning for implementing the provisions of the plan;*

- *monitor efforts to implement the plan;*

- *inspire and assist in day-to-day implementation of the plan; and*

- *expedite compliance with the plan.*

Fish and Wildlife Service management does not support this recommendation. It believes that the identified problems may best be solved in other ways. Consequently, it supports Alternative One, continuing existing programs, but with increased management attention both to intra-Departmental coordination and to the use of ecological principles in managing the watershed. The Fish and Wildlife Service has asked the Commissioner of Reclamation and the director of the Bureau of Land Management to do the same.

ADDITIONAL ACTIONS

The bureaus should implement a number of administrative and operational actions to improve their individual and collective efficiencies regardless of the acceptance of the proposed ecosystem management model. These actions include:

° *Establish a cross-bureau "Operational Support Action Team" -The CVW Lab can serve as an excellent opportunity to evaluate the effectiveness of integrating specific functions between the Interior bureaus. This informal team will include a mix of operational and administrative representatives from the bureaus. The team would be charged with developing, monitoring, and continually evaluating strategies for achieving cross-bureau efficiencies and cost savings. Fish and Wildlife Service management supports this recommendation.*

° *Establish a "Customer Service Center" - The Customer Service Center (CSC) would provide a single point of contact (one-stop shopping) for sharing information and providing assistance to Interior customers and stakeholders in the Central Valley Watershed. Fish and Wildlife Service management supports this recommendation.*

° *Establish a centralized "Resource Library" - The Resource Library would be designed to provide a well stocked and properly organized information library as a consolidated resource for all Interior bureaus. It would eliminate duplicative materials while providing up-to-date information. Fish and Wildlife Service management takes no position on this recommendation, and has requested further study.*

° *Evaluate and modify, as appropriate, the organizational structure of the Interior bureaus to ensure that their existing structure is consistent with their ecosystem management responsibilities in the Central Valley Watershed. Fish and Wildlife Service management does not support this recommendation at this time.*

° *Establish a formal integrated training program. This program should:*

— *improve the skills and abilities of Interior personnel at all levels in dealing with ecosystem management*

— *promote greater use of the Intergovernmental Personnel Act to encourage intra-bureau on-the-job training; and*

— *rotate management and staff between the bureaus to promote increased cross-bureau awareness, understanding, collaboration, and trust.*

Fish and Wildlife Service management does not support this recommendation at the Central Valley Watershed level. This action is, however, being taken at the Bureau level.

° *Increase the use of outreach programs to inform the public on issues such as the status of the natural resources in the Central Valley Watershed.* Fish and Wildlife Service Management supports this recommendation.

These actions represent significant changes to the current system. They focus on improved internal and external bureau efficiencies and one-stop shopping for all customers. These changes would result in significant improvements regardless of the management structure in place.

Performance Measures

The management system must address the major concerns of not only the bureaus, but State and local agencies, other Federal agencies, and the end-users. The system must also meet the needs of the non-human components (e.g., fish, wildlife, and habitats) of the watershed. Implementation of ecosystem management in the Central Valley Watershed must include performance measures that are appropriate to meet these diverse needs.

The details on specific performance measures would be developed by the Central Valley Watershed IEMC. The following example reflects potential performance measures for a Interior-private sector fishery habitat improvement project:

SERVICE AND SUPPORT

- *Contracts completed on time (deadlines met).*
- *Payments made accurately and on time (support local business).*
- *Work completed on time (service/support to management).*

ENVIRONMENTAL QUALITY

- *Biodiversity increased (number of species, greater abundance).*
- *Achieved sustainable fish populations (annual production).*
- *Increased quality fishing (number of fishing days and fish caught).*

ECONOMIC BENEFITS

- *Increased dollars in local economy (licenses, supplies, and dollar multiplier from increase in fishing and other recreation days).*
- *Increase in jobs (number of fishing guides, fishing jobs, and other jobs).*
- *Enhanced local and regional economic diversity (dollars and jobs in recreation sector compared to other sectors).*

SOCIAL/CULTURAL BENEFITS

- *Reinforced community values (qualitative - outdoor recreational values).*
- *Enhanced lifestyles of groups (qualitative - fishing group culture).*
- *Support small/minority business (dollars, qualitative -increased status).*

SPECIAL RESOURCE PROTECTION/ MANAGEMENT

- *Increased protection for fish (number of populations protected).*

EDUCATION

- *Increased understanding among local partners (number of groups involved).*
- *Increased media awareness (number of requests from the media).*
- *Increased awareness/education through interpretation signing, etc. (number of requests and contacts from users and the general public).*

Bureau of Land Management

- Service Center

In only six weeks of analyses on a handful of processes, the BLM Service Center Team identified over $600,000 in potential savings. Most of these savings, which would require waivers from existing regulations (see Appendix Two), involve simple changes in existing processes, such as cutting one check to pay a bill instead of four separate checks. By eliminating unnecessary steps and streamlining organizational functions, these reductions in paperwork translate directly into improved customer service. Because of the wide variety of functions carried out at the Service Center, more closely focused reinvention lab reviews of specific processes at the Service Center promise even greater savings and marked increases in customer service.

The Bureau of Land Management (BLM) Service Center (SC) provides diverse support and services to the bureau's Washington office and all of its field offices. It was established to handle those administrative, technical, and management support services —such as financial management and accounting, large procurements, and the development of standard automated systems — that are most efficiently performed at a central office.

The Service Center was chosen as an National Performance Review Laboratory in order to:

- *Identify internal and external SC customers and their current and potential needs.*
- *Evaluate existing work processes for quality improvement to meet the needs of customers.*
- *Identify work and work processes that should be done at the SC for overall support of the BLM's mission.*
- *Evaluate future needs of the BLM so that the SC might accommodate or support these needs.*

The BLM Team decided to (1) establish a work center at the SC to be staffed continuously by team members, and to (2) use a "town meeting" approach at the SC, inviting all employees to participate. In addition, the Team conducted a survey. Survey questionnaires were structured to include all of the major SC Divisions. For each of the Divisions, specific subfunctions were listed and discussed with SC customers. Where possible, a numerical rating was assigned to the perceived satisfaction with the service provided, and a subsequent question dealt with how dependent the interviewee was on the service provided. Finally, management

interviews and SC focus groups were used to deal with specific issues. The employee participation process was also used to identify internal and external SC customers. Both SC employees and customers proved to be a valuable resource as the Team began to focus on reengingeering work processes.

The Team was able to analyze only a small portion of the SC's operation. The Team decided to concentrate its activities in three areas:

- *Reengineering Processes*
- *Reengineering Functions*
- *Reengineering Organizational Culture*

The following discussion provides examples of the Team's recommendations in all three areas.

REENGINEERING SERVICE CENTER PROCESSES

Reengineering the Process for Receiving Property

As illustrated in figure 13, the current process used to receive capitalized and major non-capitalized property at the Service Center is characterized by unwieldy routing of paper, the involvement of multiple organizations, and errors in document preparation. This causes major problems for internal customers. Most of this turmoil is invisible to external custom-

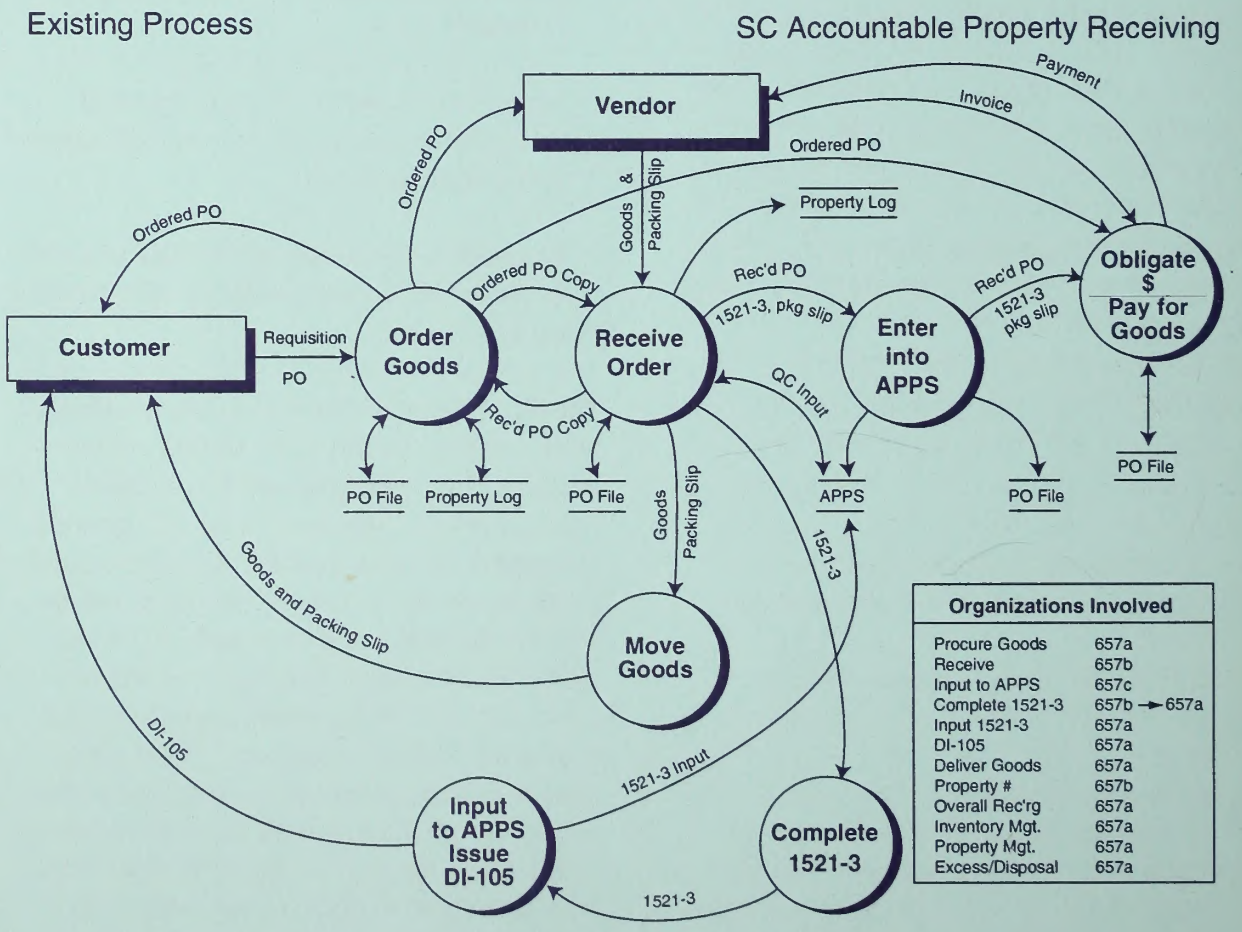


Figure 13

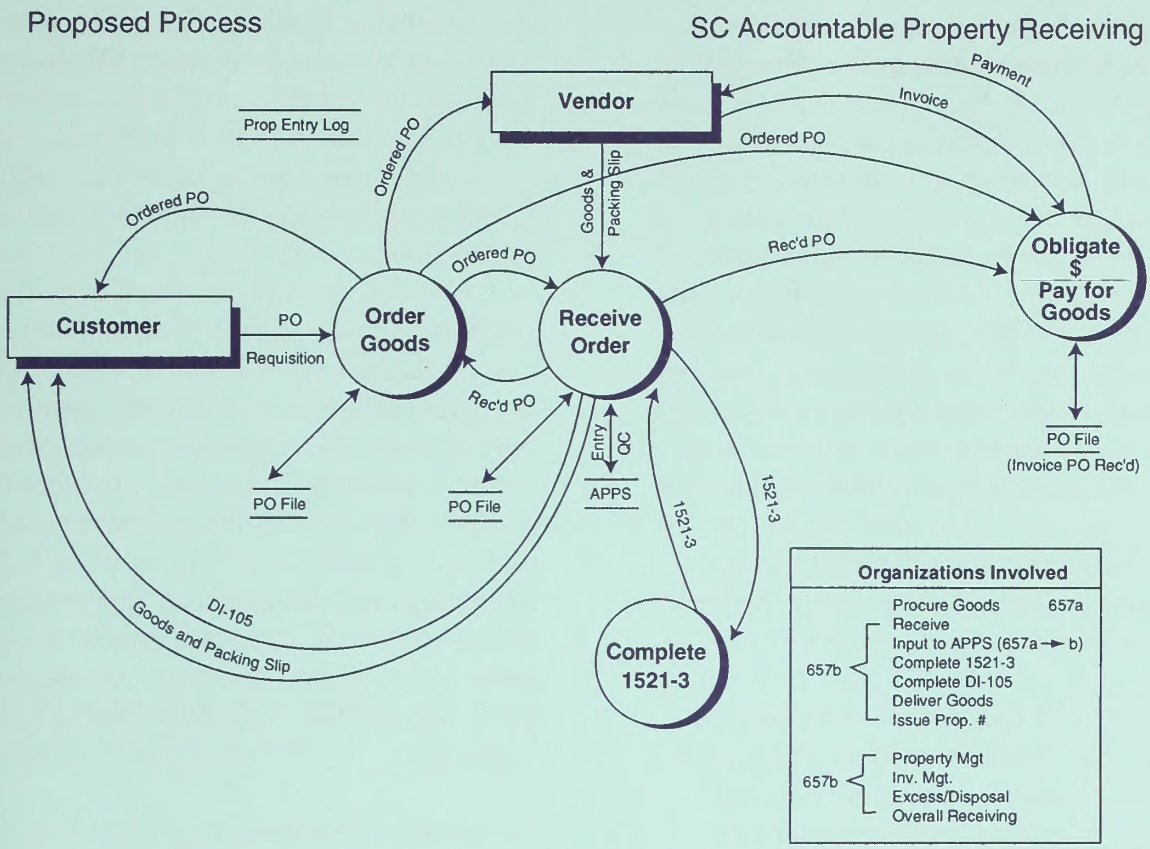


Figure 14

ers, with one exception; vendors may receive late payments. Because of late payment penalties and loss of discounts, this increases costs to the Bureau and to the taxpayer.

The Team proposed a new property receipt process based on an input quality control system illustrated in figure 14. By implementing this recommendation, the time expended by the SC Property Records and Inventory Section to review APPS input from the states and review all requisitions for accountable property coding could be reduced by a total of 6 1/2 hours a day, or $19,300.00 per year. In the team's review of the past year, 448 purchase orders were identified that required corrections. Elimination of costs to correct 448 purchase orders for accountable property could potentially save $1,000.00 per year in Finance. The team estimated savings at $5,000 per year if the APPS batch report hardcopy did not need to be pulled and distributed. Estimated savings from efficiencies gained through effective use of the SC local area network would be $2,420.00 per year. The potential savings total $27,270.00.

Performance measures:

The new process should result in faster payment to vendors. It should also reduce the workload of the Finance department and allow Procurement to close its files more rapidly. SC employees who ordered goods would receive delivery of items in a more timely manner.

BLM management has agreed to implement these recommendations with some minor changes.

Reengineering the Guide Specifications and Guide/Standard Drawings Process

Under the current process, new guide specifications are not being developed unless needed for a particular project. The workload precludes the engineering personnel in both engineering branches from devoting the time necessary to produce new specification sections. New diskettes containing revised guide specifications are periodically sent to the State Offices. This usually occurs after a number of specifications have been revised. Sometimes the period of time between revisions is quite long. These procedures contribute to the perception in the field that some guide specifications are outdated and obsolete.

The problem of long periods between revisions is also true of the guide/standard drawings. No revisions to the guide/standard drawings have been distributed to the field offices since the conversion in 1990. Although the conversion process corrected a large number of errors that existed on the manually produced drawings, some errors still exist. Even though the conversion brought about standardization of line widths, lettering, and drawing size, field users want other changes such as the use of proprietary product names, scaling, and detailing. Drawings that did not get distributed because of problems requiring resolution are still not finalized. Workload has delayed development of new drawings. Field offices frequently take the time and effort to create their own standard drawings as a result.

The Team recommended that the development, revision, and distribution of all guide specifications and guide/standard drawings be delegated to the Branch of Building Engineering. In addition, specifications written for specific projects in the Branch of Engineering Services and in the field offices, as well as those in the Branch of Building Engineering, would be reviewed in the Branch of Building Engineering for possible conversion into guide specifications.

Under the Team's recommendation, the distribution process would be improved by using contractors to produce the diskettes for both the guide specifications and the guide/standard drawings. Diskettes would then be distributed to all field offices from the SC on a regular or annual basis. This would speed the distribution to all field offices and provide assurance to field office personnel that they have the latest, most up-to-date versions of the guide specifications and guide/standard drawings.

Performance measures:

This process would eliminate the non-value-added steps in the existing system. It would reduce duplication of effort in the review and editing processes due to the involvement of two separate engineering branches. This should also help resolve the lack of control, priority setting, and uniformity. The new process/system should provide the customers with the following:

- *Timely responses to questions and requests for assistance.*
- *New and updated guide specifications and guide/standard drawings, including indexes, on an annual basis.*
- *Preferred methods for providing feedback to SC personnel to improve the product.*

- *Electronic distribution of guide specifications and guide/standard drawings and reference specifications in the future, using wide area networks.*

In the future, the new process/system performance would be measured through assessment of an evaluation sheet. Specific questions based on customer needs would be compiled to determine the effectiveness of the new process/system. This evaluation would be completed, at a minimum, by the same customers who returned the original questionnaire used to assess the need for the new system.

BLM management has agreed to implement these recommendations.

REENGINEERING SERVICE CENTER FUNCTIONS

While the National Performance Review process is principally concerned with reengineering specific work processes, the team decided to select certain overall functions for laboratory review, based on customer input. These areas were chosen because customers indicated a need for quality improvement analysis, or because they had Bureauwide impacts or potential Department of the Interior implications.

Information Resources Management (IRM)

The existing IRM organization in the SC is having difficulty meeting the increasing information needs of the BLM. As a result, many State offices have developed their own IRM staffs and have moved forward in largely uncoordinated attempts to develop their own applications, often duplicating efforts at the SC and in other offices. Literally hundreds of new applications of varying complexity have been developed in the BLM, using scores of different languages and tools. The high cost of modernization is being duplicated throughout the BLM unnecessarily. Valuable human and monetary resources are being wasted.

To help remedy this situation, the team recommended:

- *Creation of an Assistant Director for Information position and preparation of a new Information Strategic Plan. This would focus efforts on the long term and serve to drive the BLM toward a strategic goal.*

- *Changes to the existing IRM organization that would increase performance and effectiveness in reaching modernization goals.*

- *Radiating coordinated and standard based development of user applications out to the lowest field level.*

BLM management accepted the Team's recommendation that IRM be included as a primary part of the Bureau's new vision and has adopted a number of specific recommendations. A decision on creating a new IRM Assistant Director will be based on a subsequent review of the Washington Office and SC structure.

Division of Resource Services

The Division of Resource Services at the SC has three branches. The Branch of Physical Sciences has two sections: Soil, Air, and Water, and Hazardous Materials Management. The other two branches — Lands and Minerals, and Biological Services — are not subdivided into sections.

A round of interviews was conducted with selected field customers of the Division of

Resource Services. These included District Managers, Resource Area Managers, and resource specialists. These surveys were structured around familiarity with the SC, the usefulness of the Division's products, and their use in day-to-day field operations. The team also asked about other products that might be useful in the future as the Bureau moves into an ecosystem approach or process.

The Team's analysis of customer comments and other data supports change in this area. Customers indicated that the Division should either be "rightsized" (located in the field) to the field or have its role changed and better defined, that new roles for the Division should be explored, and that the Division should concentrate on the priority work of the BLM. The team believed it is also critical that the user representative role be expanded and enhanced if the decision includes keeping the Division of Resource Services staff, or some part of it, at the SC.

The Team recommended that BLM:

- *Reevaluate the current role and function of the Division of Resource Services.*

- *Evaluate the needs and technical support for getting ecosystem management on the ground and the role that the Division of Resource Services staff be considered. The staff is a diverse group of individuals who could, with training, provide operational support to field offices in ecosystem management, coordinate with the National Biological Survey, rewrite the existing functional manuals (using an automated approach), and help the field offices.*

- *Analyze and "rightsize" the number of positions needed to carry out the above roles, or others assigned to staff. Any rightsized skills should be used on a Bureauwide basis.*

- *Retain the Hazardous Materials group at the SC at this time. The BLM does not have these skills represented in other organizations, and the staff is now serving Bureauwide needs both in contracting and on Hazardous Materials critical projects.*

- *Analyze the many BLM individuals or groups of "experts" —such as the wildlife core in Idaho, the position at Utah State University, and the group at Fort Collins — in connection with the Division of Resource Services Staff. Some attempt should be made to define their relationship to the SC Division of Resource Services staff, to the National Biological Survey, and to interdisciplinary resource management.*

BLM management agreed to reevaluate the Division of Resource Services. Management did not agree to give the Division the lead role in ecosystem management activities.

Technology Transfer Staff

As a result of interviews with key managerial officials in the organization, the Technology Transfer staff surfaced as a group whose mission is questioned.

The Team recommended BLM:

- *Develop a clear mission statement for the staff.*

- *Train the Technology Transfer's staff in team accomplishments and self-management.*

BLM management accepted both of these recommendations.

REENGINEERING THE SERVICE CENTER CULTURE

The Team believes that skillful management of organizational culture at the SC is critical to the success of the current SC, or to any reorganization, consolidation, or rightsizing activities that may occur.. The Team used a number of methods to uncover beliefs, attitudes and assumptions in analyzing and determining organizational culture issues at the SC. It conducted over 150 personal interviews with SC employees and customers, used focus groups, and developed specific survey forms to gather data.

Focus groups (approximately 40 SC employees) proved to be a rich source of data when participants were asked to consider new paradigms for the SC, including ecosystem management, sharing of resources across agencies, and increased emphasis on partnerships. Groups were also asked to consider two "framebreaking" scenarios:

- *the disappearance of the organizational structure at the SC; and*

- *the declaration that the SC become a competitive, free-market supplier of services within 5 years.*

Based on insights from this research, the Team recommended that:

- *The BLM Director demonstrate strong leadership in employee empowerment and quality management principles through: recruiting a SC Director with the ability to implement quality management principles; making periodic visits to the SC; supporting, encouraging, and rewarding employees for activities and results in all areas of quality improvement; and facilitating and supporting the development and implementation of permanent quality improvement teams at the SC.*

- *The SC Director promote quality improvement and a learning atmosphere at the SC through: developing quality manager role models; facilitating the development of small, cross-functional, self-managing teams with responsibilities for assigning workloads, solving problems, scheduling work, and evaluating performance/products; holding all managers and supervisors accountable for creating measurable quality improvement results in major areas of emphasis; recognizing and rewarding individual employee, group, and management activities for quality improvements in work processes; developing a spirit of entrepreneurship; maximizing the use of intergovernmental personnel assignments, rotation of personnel with Bureau field offices, and building of interagency networks to create a "beyond the Bureau" attitude and outlook; seeking collaboration with the union; and measuring changes in the organizational culture in terms of improvements in any of the areas defined as being characteristic of organizational culture, i.e., organizational structure, language and behavior, hiring, and promotion and retention practices.*

BLM management has agreed to implement the Team recommendations in this area with a few minor modifications.

Bureau of Mines

— Pittsburgh Research Center

Through the NPR process, scientists at the Bureau of Mines' Pittsburgh Research Center identified a self-directed work team approach for conducting its scientific investigations. This new approach should eliminate many of the bureaucratic roadblocks that make it difficult for mining researchers to address the priority needs of their customers. Implementing the Team's recommendations should improve the Bureau's ability to meet the nation's information needs in a more timely, focused, and customer-oriented manner.

The Bureau of Mines (USBM) provides information and services to a variety of federal, state and local government agencies. Industrial customers include mining companies, equipment manufacturers, and mining consultants. Industry consortia, such as the American Mining Congress and the Bituminous Coal Operators Association, and organized labor, such as the United Mine Workers of America, also use services. One of the challenges in evaluating customer satisfaction arises from the diverse interests of customers which are sometimes in conflict.

The Team established at the Bureau's Pittsburgh Research Center (PRC) attempted to evaluate the USBM's responsiveness and value to its customers through a number of personal interviews with both government and industry. Front line researchers also were interviewed about their experiences with customers. Customers were asked to give both positive and negative comments on the USBM and how it conducts research.

Participants in the Team's review said that the USBM has capable personnel and excellent facilities. This was reassuring. On the other hand, the negative comments received provide evidence that the system could be improved. The team found that the negative comments could be grouped under the following general statements:

- *The USBM project selection process is biased, based on personal relations and not responsive to customer needs.*

- *The USBM is conducting too much long term research while research requiring a short turn around time (less than one year) is difficult to get through the system.*

- *The USBM does not terminate projects that are obsolete or that do not appear to have any hope of success.*

- *Results of the research (publications, technology transfers, etc.) take too long to get to the customer or end user.*

- *The USBM should be aware of the economic impact of implementing the results of research.*

Discussions with employees and customers indicate that to improve the efficiency and quality PRC needs to break down organization boundaries to allow:

- *Full use of all personnel to generate new research ideas and proposals.*

- *Potential availability of all research staff, facilities and equipment for all projects.*

- *More direct communication between service providers and internal customers.*

- *Improved responsiveness by reducing approval levels.*

- *Delegation of authority to lowest practical levels.*

The Team notes that there is nothing intrinsically wrong with the PRC's current organizational structure. However, it is also clear that the organization could be improved to allow research projects to be conducted in a more timely, effective, and customer-focused manner.

SELF-DIRECTED WORK TEAMS

In research, uncertainties and unforeseen requirements for action are constantly arising. A flexible, organic structure is appropriate for a research organization. This promotes an environment characterized by frequent evaluation of individual tasks through the interaction with others, frequent lateral communication of a consulting nature rather than command, and communication which favors sharing information and advice instead of prescribing instructions and decisions (Burns and Stalker, 1961).

The Team believes that the quality and efficiency of research, and ultimately customer satisfaction, will be enhanced at PRC by the introduction of self-directed work teams in research and by restructuring the support staff hierarchy (Archer, et al., 1993). Project staffing procedures will be changed to promote the development of cross-functional teams rather than "pigeon-holing" projects into established groups organized along functional lines. The teams will be empowered to make decisions regarding scheduling, deliverables, work related travel, and requisitioning which currently require several levels of supervisory approval. Teamwork will be encouraged by modifying individual performance plans to incorporate peer review, establishing team awards, and through training in group dynamics.

Under the existing structure, research projects which are selected for funding at the PRC typically are carried out within one of the seven programmatic research groups. An evaluation of FY93 work plans indicates that only two of 106 research projects currently underway at PRC are being conducted cooperatively between two research groups. The division of projects into programmatic groups is largely a result of the proposal process; that is, projects are typically proposed which utilize the talents central to the group from which the proposal originates.

Currently, limitations imposed by the organizational structure in combination with the project selection and funding processes, create a strong incentive for carrying out projects within the confines of a particular programmatic group. Teams are formed, but they remain confined to the programmatic group, and have little autonomy in their decision making.

The Team's proposed organizational structure for research has two levels. The first level is made up of Research Teams to conduct the research and Team Facilitators to support and assist the Research Teams. The second level is the Management Team which provides guidance to the Research Teams.

Members of the Research Teams are the scientists, engineers, and technicians who conduct the bench level research. These teams may be built along programmatic lines or include cross-functional members. Employees may be members of more than one team. Each Research Team will develop ground rules and operating procedures in accordance with provided guidelines. The Research Team will determine what work and decisions will be made as individuals and as a team. The Team Facilitator will provide project-level administrative support. Depending on the workload demands from projects, a team facilitator may work with several research teams.

In this new structure, the Management Team provides guidance and supervision to the Research Teams and the Team Facilitators. A member of the Management Team will be responsible for interaction with several research teams. Some decisions which the Management Team will make, such as project selection-related decisions, will be made as a team following ground rules and operating procedures that the Management Team will generate.

The primary function of the Management Team is to interact with customers in order to identify the customers needs and requirements and to provide strategic planning. The duties and responsibilities of the Management Team include screening preliminary proposals, nominating the project selection committee, interacting with the Washington office in setting and achieving PRC mission and goals, interacting with customers to get input on needed research, and selecting research teams. Customer satisfaction will be enhanced through this process which incorporates more direct customer involvement. The recommendations will improve technology transfer by involving customers in the research rather than trying to "sell" a research product after the work is completed.

Making it Easier to Work with Customers

Because U.S. competitiveness in the global market is being seriously challenged, the Bureau's cooperative work with the private sector needs to be expanded. Rapidly changing market demands require a faster conversion of research and development (R&D) into marketable products and services. Efforts to encourage the private sector to utilize the technologies and capabilities residing in the Bureau of Mines must be strengthened.

The Clinton Administration is placing increased emphasis on identifying and developing technologies that meet industry needs. To encourage collaboration with industry, the Team recommended that the Bureau improve the timeliness of the technology transfer process by localizing decision-making within the Bureau, increasing flexibility to meet the varying needs of customers, and simplifying

procedures. The predictability of the process will be improved by developing and implementing clearly articulated research policies and guidelines.

Memorandums of Agreement (MOAs) and Cooperative Research and Development Agreements (CRADAs) are used to establish industry-funded research efforts which are done jointly with a customer or solely by the Bureau for a specific customer. Although cooperative efforts represent a small percentage of the Bureau's research budget, these agreements are important because they directly incorporate customers and establish customer interest and involvement early in the research process. Formal processes have been established to accommodate these types of agreements. However, some of these processes have been identified as barriers to Bureau research. Common complaints relate to the length of time needed to establish agreements and obtain account numbers.

Significant time is involved in preparing a memorandum of agreement (MOA). Streamlining the process for establishing MOAs and CRADAs is likely to enhance customer involvement and satisfaction. The current process for MOAs has the following barriers:

- *It takes too long to get the agreements established.*
- *It takes too long to get an account number.*
- *Authorization levels are too high.*
- *The memorandum of intent (MOI) process is a non-value added step in the MOA process.*

It is imperative that the MOA process (see figure 15) be streamlined and that the researchers be encouraged to establish cooperative agreements. Currently, a MOI must first be written to initiate the MOA process. However, a draft copy of the MOA must be included with the MOI. The Team recommended that the MOI process be eliminated and final approval authority be delegated downward from the Washington Office to the Research Director. Policy guidelines should be issued by Headquarters to the Research Director to ensure conformance with Bureau programmatic and legal requirements.

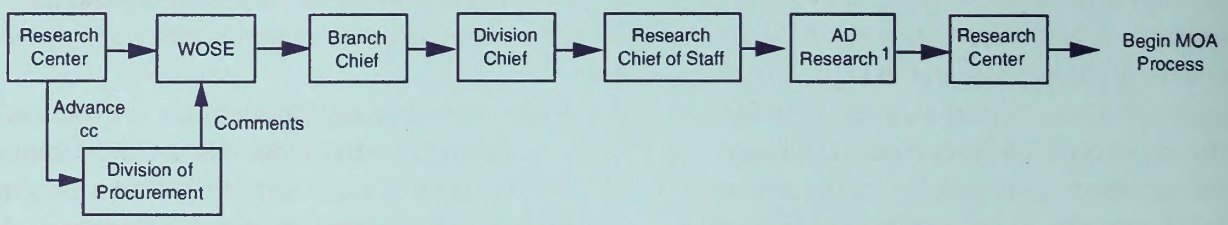
Patents are also an important part of transferring technology to the private sector. Granting an exclusive license to manufacture a government invention requires patent protection. An exclusive license is often necessary to induce vendors to produce a new product. Granting patents and providing for royalties to the inventor encourages employees to take risks and be more creative. However, this process is very time sensitive. Patent applications must be filed within one year of public disclosure. Currently, patent paperwork is initiated at PRC and forwarded to the Solicitors office. This process is slow mainly due to dealing with the Interior solicitor located in Washington.

For example, in one representative project we reviewed, the patent paperwork was first sent to the Washington office in April of 1991. As of July, 1993 a disclosure was finally being prepared by the law firm. It is still not ready as a patent application. In another case, paperwork was sent to the Washington office in July of 1992. As of July 1993, the Washington office was just starting to prepare the patent application.

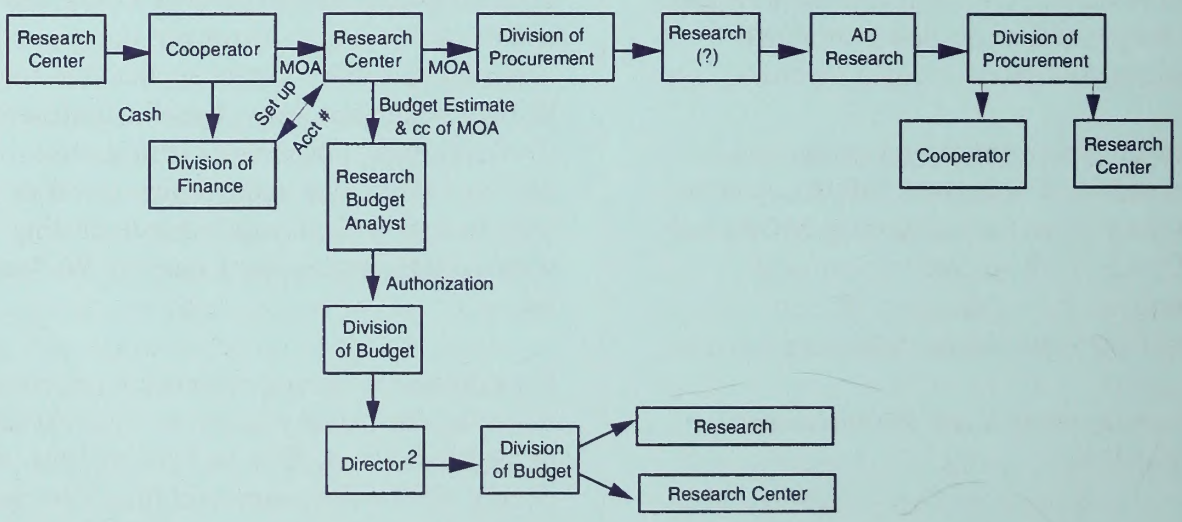
Patent attorneys are readily available locally and would make the process quicker and more efficient. The inventor could easily meet with

M0A PROCESS

MEMORANDUM OF INTENT with draft of MOA



MOA PROCESS



[1] Work may officially begin once AD-R has signed..
[2] Spending should not officially begin on an account until after the Director has signed the authorization.

Figure 15

the local solicitor to resolve problems with applications. The Team recommended that Department of the Interior restrictions on using local solicitors for patent work be waived.

The Project Selection Process

In the new system, the authority to select and fund new research projects will reside at PRC, while the long-range and strategic planning necessary to identify specific needs will remain at the Washington office.

Because proposals demand great effort and creativity, team input would be encouraged during all phases of the writing process. Once the preliminary proposals are submitted, projects will be selected for funding using the following process: 1) Review of Preliminary Proposals, 2) Request for Full Proposals, and 3) Peer Review and Final Selection of Projects for Funding.

Review of Preliminary Proposals: The Management Team will review preliminary research project proposals and screen them based on the following criteria:

- *Are the objectives clear?*
- *Does the research support PRC's mission?*
- *Does it duplicate other Bureau research?*
- *Are potential customers identified and needs addressed?*

If questions arise during the review process, the author(s) of the proposal will be notified and provided with appropriate feedback. The author(s) then has the opportunity to clarify any details or address additional areas of concern.

Obtain Full Proposals: Authors of proposals that are accepted will be requested to submit detailed proposals. The full proposal should include: theoretical analysis, the background and justification for the research, the goals of the project, a time frame for completion, the technical difficulties, the skills and resources needed, potential customers, and value to customers.

Obtain Review of Proposals: An important component of successful research and technology transfer is the involvement of the customer early in the project. Thus, as part of the process, proposal originators will be encouraged to obtain customer review and comments (see figure 16). Proposals will be sent out to customers for review and comments. This external input will help demonstrate the relative impact of the proposed research and the potential for cooperation in these research efforts.

The Research Director will appoint a team to evaluate the proposals and rank them following the process depicted in figure 17. The following criteria may be considered: customer comments/input, economic impact of implementation, scientific merit, potential for achieving the proposed outcome, and the availability of necessary resources.

Self-directed work teams will be responsible for conducting the research effort in the reinvented PRC. The team formation process is illustrated by figure 18. An early product of the research team will be the project work plan. This document will not be used for performance assessment but, rather, for establishing goals and time tables for project deliverables. Instead of being rigidly enforced, this work plan will act as a document that can be updated as the research program dictates.

OBTAIN CUSTOMER INPUT

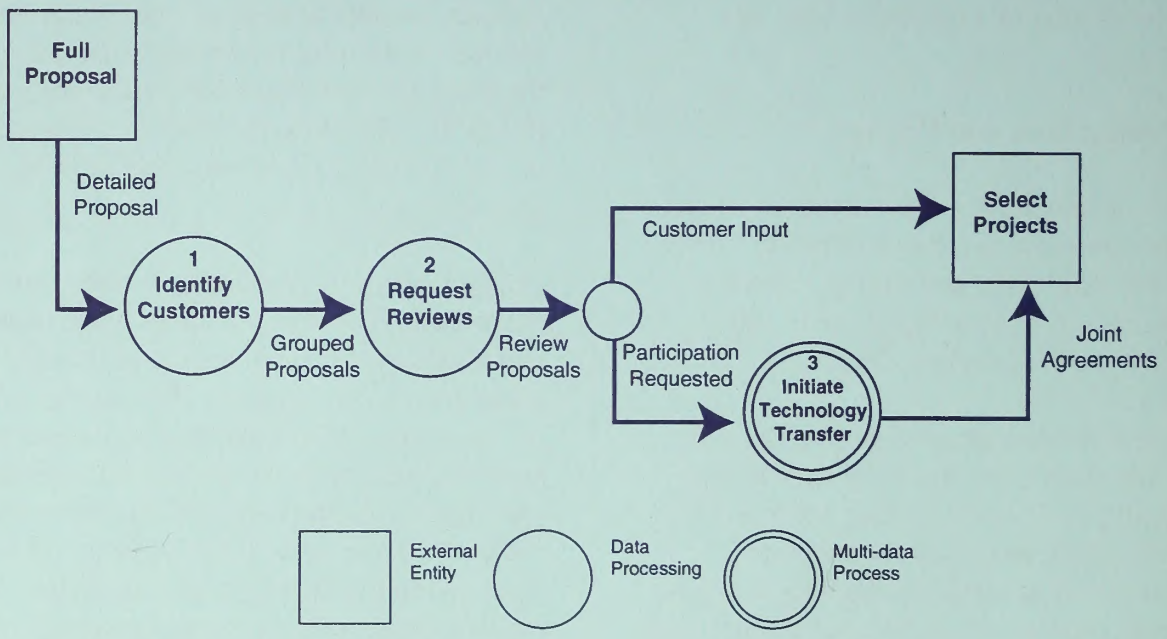


Figure 16

PROJECT SELECTION

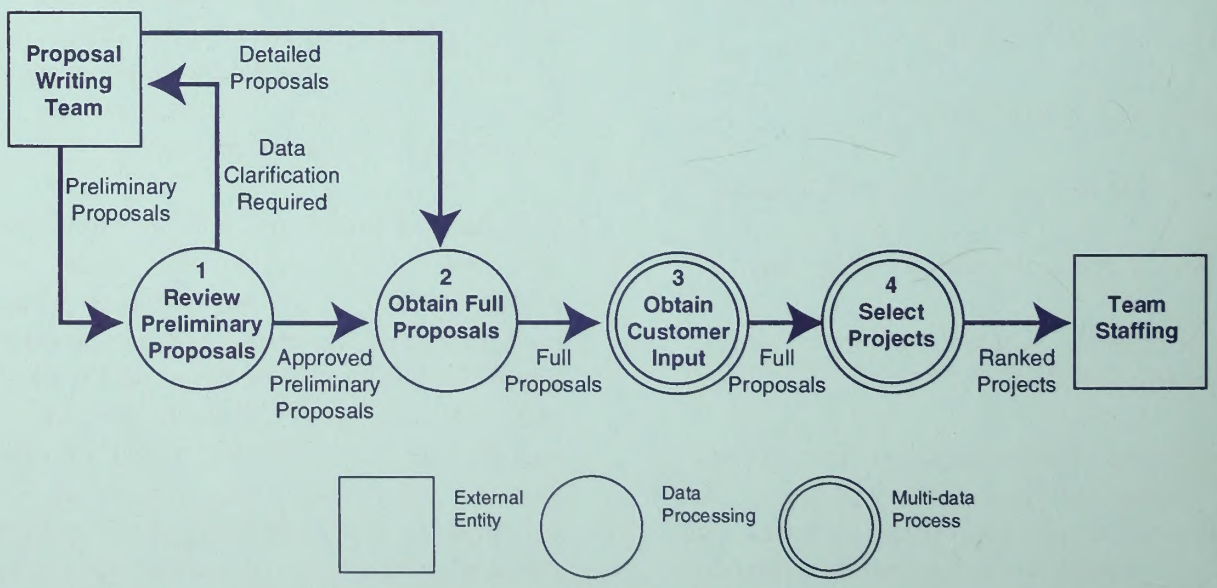


Figure 17

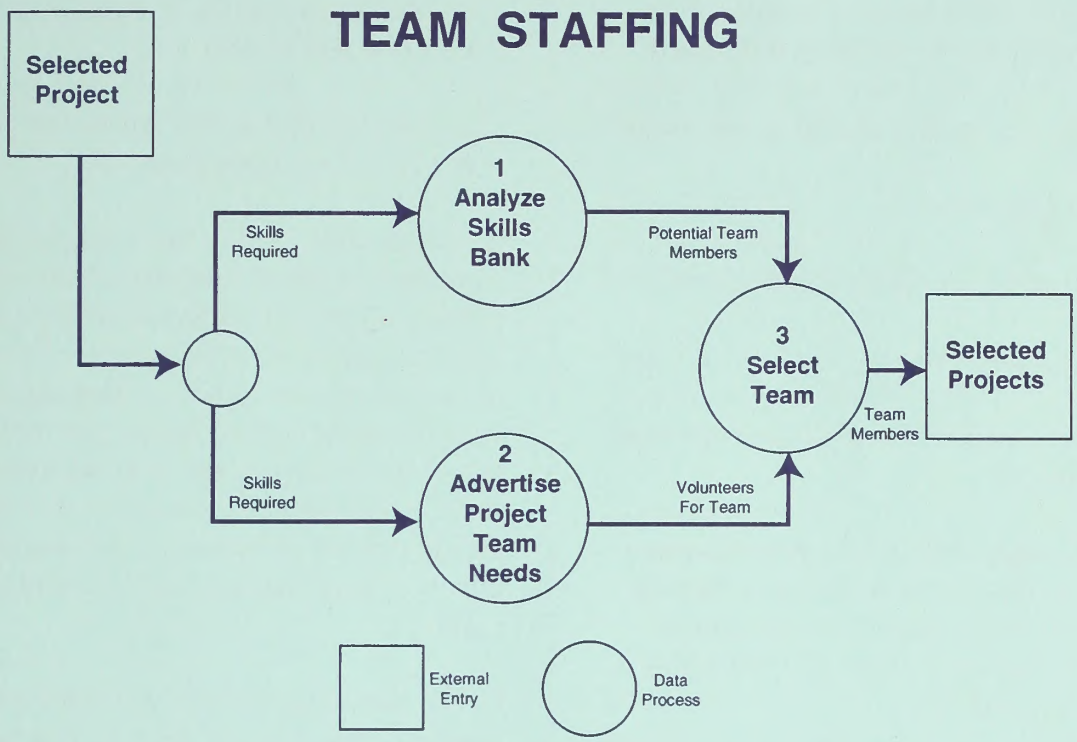


Figure 18

Self-directed work teams will also have sufficient freedom to pursue various strategies for conducting the actual research. Each team will be assigned a member of the management team. Although the research teams will have adequate autonomy to make minor corrections in the direction of the research, major changes will be cleared through the Management Team contact.

Performance Measures

There are a number of difficulties associated with the use of quantitative measures to assess research performance. First, many available measures (e.g. numbers of publications or patents) are output rather than outcome based; that is, the measures reflect numbers of research products. Often, however, there is no inherent relationship between these numbers and the degree to which the efforts have addressed stated mission objectives, such as the level of customer satisfaction. Quantitative measures alone may not predict long-term or unanticipated benefits. Furthermore, a performance measurement plan based solely on quantitative measures may encourage researchers to sacrifice quality for quantity.

However, the effectiveness of a number of recommendations necessary to "reinvent" PRC can be evaluated quantitatively. For example, improvements in streamlining the MOA and CRADA processes can be measured directly by contrasting the time associated with establishing agreements using the old and revised processes.

In general, the goal of implementing changes at PRC is to improve research performance.

Quality and efficiency are integral to research performance and a variety of traditional measures can provide insight in this regard:

- *numbers of awards (external recognition)*
- *number of patents*
- *number of refereed journal articles*
- *number of citations*
- *number of invited lectures and conference presentations*

Cultural changes within the organization are required to allow the new system to function properly. Several approaches appear to be potential means of evaluating the degree of cultural change at PRC:

- *assess the number of people working in cross-functional groups*
- *conduct internal morale surveys*
- *monitor the number of labor-management disputes*

Perhaps the most important measure of whether or not goals are achieved is customer satisfaction. A variety of means could provide an indication of customer satisfaction:

- *perform customer surveys*
- *track number of customer inquiries*
- *monitor customer participation (in terms of external or in kind funds, number of CRADAs and MOAs)*
- *consider feedback from unsolicited praise letters, acknowledgements, etc.*

A Bureau-wide Quality Improvement team is working with Barry Bozeman, Professor of Public Administration, Syracuse University, who has studied the effectiveness of public and private research and development laboratories for more than 15 years. The results of this study, in conjunction with evaluations of other qualitative and quantitative measures, should provide a baseline for measuring the effects of implementing the Reinvention Labs effort.

USBM management believes that the new research program priority selection process needs to be evaluated on a controlled portion of the PRC before full-scale implementation. Plans call for beginning the trial process by January 1, 1994. The Bureau plans to establish approximately 6 self-directed teams at the PRC, based on the experience of the Albany Research Center.

The Team recommendations on employee performance evaluation closely parallel the recommendations of a Bureau-wide Quality Improvement Team. The Bureau intends to implement the recommendations of the Quality Improvement Team at the Pittsburgh Center and at the other labs within the Bureau. A local implementation team will be formed.

BUREAU OF LAND MANAGEMENT TEAM

William Pulford, Team Leader
BLM Craig District Office, CO
Telephone: 303/824-8261

Michelle Chavez
BLM Taos Resource Area, NM
Telephone: 505/758-8851

Ken Washington
BLM Colorado State Office
Telephone: 303/239-3910

Ed Dettman
BLM Service Center
Telephone: 303/969-6501

Judith Herrington
BLM Service Center
Telephone: 303/236-7002

Keith Christiansen
BLM Service Center
Telephone: 303/236-5253

Carol A. Lively
US Fish and Wildlife Service (Colorado)
Telephone: 303/236-8676

Andrew Tarshis
BLM California
Telephone: 916/978-4781

Pamela Cleary, Facilitator
Office of Surface Mining (Colorado)
Telephone: 303/236-0368

BUREAU OF MINES TEAM

H. Kenneth Sacks, Team Leader
Bureau of Mines (Pennsylvania)
Telephone: 412/892-6617

John A. Breslin
Bureau of Mines (D.C.)
Telephone: 202/501-9292

Terry M. Hoch
Department of Labor (Pennsylvania)
Telephone: 412/892-6904/6919

Laura L. Crabtree
Bureau of Mines (Pennsylvania)
Telephone: 412/892-4104

James P. Ulery
Bureau of Mines (Pennsylvania)
Telephone: 412/892-6563

Joseph C. Zelanko
Bureau of Mines (Pennsylvania)
Telephone: 412/892-6549

Gerrit V. Goodman
Bureau of Mines (Pennsylvania)
Telephone: 412/892-4455

Kim M. Cornelius
Bureau of Mines (Pennsylvania)
Telephone: 412/892-4326

Cynthia Rell, Facilitator
AS-Indian Affairs (D.C.)
Telephone: 202/208-1916

APPENDIX ONE

BUREAU OF RECLAMATION TEAM

Gene Munson, Team Leader
Bureau of Reclamation (Colorado)
Telephone: 303/236-1061 x246

Joan Smith
Bureau of Reclamation (California)
Telephone: 916/978-5050

Ryan Patterson
Bureau of Reclamation (Idaho)
Telephone: 208/378-5342

Rod O'Sullivan
Bureau of Reclamation (Nebraska)
Telephone: 308/389-4515

Ron Cody
Department of Agriculture (D.C.)
Telephone: 202/690-3582

Rich Garver, Facilitator
Bureau of Reclamation (Denver)
Telephone: 303/969-7230

FISH AND WILDLIFE SERVICE TEAM

Charles A. Dunn, Team Leader
Fish and Wildlife Service (Oregon)
Telephone: 503/230-5967

Larry Pullen
Fish and Wildlife Service (D.C.)
Telephone: 703/358-1729

Dale Pierce
Sacramento Field Office (California)
Telephone: 916/978-4613

Linda M. White
Sacramento Field Office (California)
Telephone: 916/978-4613

Nancy Tarshis
BLM (California)
Telephone: 916/978-4815

Diane A. Buzzard
Bureau of Reclamation (California)
Telephone 916/978-5136

Noel Granzow, Facilitator
PTC BLM-Arizona
Telephone: 602/336-6500

GEOLOGICAL SURVEY TEAM

Wendy Hassibe, Team Leader
Geological Survey (Utah)
Telephone: 801/524-5652

Edgar Burke
Geological Survey (Colorado)
Telephone: 303/236-7485

Mary Buchwald
Geological Survey (Colorado)
Telephone: 303/236-7462

K. Lea Ginnodo
Geological Survey (Colorado)
Telephone: 303/236-5835

Sharon Kemp
NOAA (Maryland)
Telephone: 301/436-8369

Michael McDermott
Geological Survey (Virginia)
Telephone: 703/648-5771

Norma Campbell, Facilitator
Geological Survey (Virginia)
Telephone: 703/648-4439

APPENDIX ONE

MINERALS MANAGEMENT SERVICE TEAM

Theresa Bayani, Team Leader
Minerals Management Service (Colorado)
Telephone: 303/275-7247

John Bratland
Minerals Management Service (D.C.)
Telephone: 202/208-3979

Jeff Braunschweig
State of Wyoming
Telephone: 307/777-6668

Perry Shirley
Navajo Indian Tribe (Arizona)
Telephone: 602/871-6340

William Trujillo
Minerals Management Service (Colorado)
Telephone: 303/231-3350

Angela Vessels
Department of the Treasury (D.C.)
Telephone: 202/874-7119

Alex Woodruff
Independent Petroleum Assoc. of Mountain States (Colorado)
Telephone: 303/623-0987

Jan Bigelow, Facilitator
Minerals Management Service (Colorado)
303/231-3552

OFFICE OF ENVIRONMENTAL AFFAIRS TEAM

James F. Bennett, Team Leader
Office of Environmental Affairs (D.C.)
Telephone: 202/208-3301

Andrew L. Raddant
Office of Environmental Affairs (Massachusetts)
Telephone: 617/223-8565

Paul J. Meyer
BLM Service Center (Colorado)
Telephone: 303/236-8858

Peter C. Escherich
Contaminants, Fish and Wildlife Service (Virginia)
Telephone: 703/358-2148

Dick Logan
State of Washington
Telephone: 206/459-6840

Daniel Hamson
National Park Service (D.C.)
Telephone: 202/208-7504

Mark Barash
Office of the Regional Solicitor (Massachusetts)
Telephone: 617/527-3400

Krista Doebbler
Bureau of Reclamation (California)
Telephone: 916/978-5046

Nancy Golden, Facilitator
BLM Utah State Office
Telephone: 801/539-4229

APPENDIX ONE

Laboratory Coordinators/Coaches:

Claudia P. Schecter	202-208-6254
Nina Rose Hatfield	202-208-4864
E. K. James	202-452-5157
Robert J. Veltkamp	202-208-3441

Waivers Coordinators:

External

David R. Forshey	202-501-9291
H. Kenneth Sacks	412-892-6617

Internal

Norma J. Campbell	703-648-4439

Waiver process as of 2/2/94

ID	Org.	Provision	Description	Request	Contact	Status
BLM-1 /3 William Pulford 303-824-8261	DOI	Current regulations in the area of leasing and debt collection lack the enforcement and coverage provisions necessary for a responsive debt collection process.	Establish regulations and enforce those already established relating to terminating leases or contracts with BLM when bills are not paid on time. Eliminate the requirement that all debts be referred to debt collection.	After three demand letters have been sent and the debt is still unpaid it will be determined whether it will be sent to the solicitor or a collection agency.	Norma Campbell, USGS, MS105, Reston, VA, 22092, (tel) 703-648-4439, (fax) 5068	Norma Campbell will coordinate waiver requests internal to DOI per telcon 12/20/93.
BLM-2 /5 William Pulford 303-824-8261	DOI	BLM Manual 1400-335.1.15	This regulation mandates areas of consideration for merit promotion announcements at various grades, with the broadest announcements for positions at the highest grades.	Delegate the decision authority on area of consideration by allowing each State/Center to develop its own merit promotion plan to meet its specific needs.	Norma Campbell, USGS, MS105, Reston, VA, 22092, (tel) 703-648-4439, (fax) 5068	Norma Campbell will coordinate waiver requests internal to DOI per telcon 12/20/93.
BLM-3 William Pulford 303-824-8261	DOI	Departmental designation of all BLM imprest fund cashier appointments, changes, or revocations.	BLM interpreted this bulletin to mean that the Service Center, Chief, Division of Finance was the referenced "finance or accounting official" to appoint all imprest fund cashier appointments, changes, or revocations to PFM.	The logical choice for approving imprest fund cashier actions should lay with the organizational level having accountability for the funds.	Norma Campbell, USGS, MS105, Reston, VA, 22092, (tel) 703-648-4439, (fax) 5068	Resolved via memo from Dir. Fin. Mgmt. (DOI) to Bureau finance Officers dated 10/12/93
BLM-4 /6 William Pulford 303-824-8261	DOI	Assistant Secretary Policy Memo dated July 25, 1990; BLM Instruction Memorandum 91-247	As an internal control measure, the Service Center Director is required to countersign all timesheets and travel vouchers for State Directors causing delays processing travel vouchers	Rescind this requirement permanently, relying on other existing mechanisms such as the IG Hotline to allow policing of any suspected abuses.	Norma Campbell, USGS, MS105, Reston, VA, 22092, (tel) 703-648-4439, (fax) 5068	Norma Campbell will coordinate waiver requests internal to DOI per telcon 12/20/93.
BLM-5 /4 William Pulford 303-824-8261	DOI	IPMR 410 DM Section 114-60.501 (b) and BLM Handbook 1521-1, Chapter 2, paragraph 7	Current direction for small-dollar purchases - enable acquisition of expendable supply-type items received "over the counter" through the use of government credit cards and reduce paperwork requirements.	Monitoring monthly expenditures and quantities ordered would help reduce the chance or potential for fraud, waste, or abuse in the acquisition and control of expendable supplies.	Norma Campbell, USGS, MS105, Reston, VA, 22092, (tel) 703-648-4439, (fax) 5068	Norma Campbell will coordinate waiver requests internal to DOI per telcon 12/20/93.
BLM-6 William Pulford 303-824-8261	GSA	Five-year limitation on lease acquisition authority granted by GSA to DOI in 1987	GSA leases property for 5-years, DOI requested that the delegation be revised to 10-year firm term leases. GSA's policy is case-by-case	It is requested that GSA reconsider its policy and grant the 10-year delegation.	Ed Loeb (tel) 202-501-4547 (fax)202-501-3341	Relief granted to BLM per memo of 10/4/93 to Babbitt from Julia Stasch, Dep. Admin. GSA

Waiver process as of 2/2/94

ID	Org.	Provision	Description	Request	Contact	Status
BLM-7 /1 William Pulford 303-824-8261	OMB	OMB Circular A-125, Payment due date provision for certain commodities	Modify the Prompt Payments Act. Get support from other agencies.	Drop commodities regulations altogether. Allow payment of an entire invoice on the earliest commodities date.	Dick Feezle (tel)202-395-6112	Feezle writing response - 1/25/94
BLM-8 /2 William Pulford 303-824-8261	OMB	OMB Circular A-125, Attachment, Section 1.n. (2)	Date placed on the invoice by the contractor, in any case in which the agency fails to annotate the invoice with the date of receipt at the time of receipt. Payment cannot be made except on goods that have been received.	Date on the receiving report should be the final determinant for calculation of prompt payment interest unless the invoice has not been received prior to complete receipt of the goods.	Dick Feezle (tel)202-395-6112	Feezle writing response - 1/25/94
BLM-9 William Pulford 303-824-8261	OPM	5 CFR Part 335 (Promotion and Internal Placement), Sections 335.102(f) and 335.102(g)	Allows agencies to temporarily promote individuals but is restricted.	Allow the Service Center to make time-limited promotions (via competitive procedures) for up to 5 years but without the need to obtain prior OPM approval.	Don Hollum (tel) 202-606-0940	Relief granted as per Federal Register V58, N215, P59345
FWS-1 Chuck Dunn 503-230-5972	GSA	Federal Advisory Committee Act - Sections 9(c), 10(a)(1), 10(a)(2), 10(a)(3)(c), 10(a)(3)(e), 14(a)(2)	Act regulates the use of non-government employees as advisors.	To effectively promote ecosystem management of the Central Valley Watershed, non-government must be available to provide input on the proposed Integrated Ecosystem Management Council (IEMC) and Community Ecosystem Action Teams (CEAT).	Request sent to Cynthia Metzler 12/1/93 Assoc. Admin. for administration. Steven Waudby is office contact - 202-501-0945	Called by James Dean (202-632-1126), Dir., committee management secretariat on 12/13/93, and responsible for FAC Act. Statute cannot be waived. Will be handled internally by DOI.
MMS-1 Jan Bigelow 303-231-3552	DOI	Change the royalty payment requirements and lease terms.	Imperative that the RMP find ways to reduce the number of line items submitted by royalty payors each month	This will allow more time to work with payors to reduce their fatal errors.	Norma Campbell, USGS, MS105, Reston, VA, 22092, (tel) 703-648-4439, (fax) 5068	Norma Campbell will coordinate waiver requests internal to DOI per telcon 12/20/93.
MMS-2 Jan Bigelow 303-231-3552	GSA	Federal Advisory Committee Act of 1991, Title 5 U.S.C.,Appendix 2(1991 Pocket Part)	This would facilitate an effort on the part of the Minerals Management Service to establish policy panels composed of representatives of its customer groups.	These policy teams would help the MMS to achieve consistency and clarity in the way its regulations and collection procedures are applied.	Request sent to Cynthia Metzler 12/1/93 Assoc. Admin. for administration. Steven Waudby is office contact - 202-501-0945	Called by James Dean (202-632-1126), Dir., committee management secretariat on 12/13/93, and responsible for FAC Act. Statute cannot be waived. Will be handled internally by DOI.

Waiver process as of 2/2/94

ID	Org.	Provision	Description	Request	Contact	Status
MMS-3 Jan Bigelow 303-231-3552	OMB	Provisions in Section 3507 of the Paperwork Reduction Act of 1980	Allows the customer service coordinators within the Minerals Management Service to obtain information from customers regarding the quality of service provided by MMS	The population of customers would include royalty-paying companies, States, Indian Tribes, and other Federal agencies.	Dick Feezle (tel)202-395-6112	Feezle writing response - 1/25/94
MMS-4 Jan Bigelow 303-231-3552	OMB	Modify Form MMS-2014 to allow some payors to report sales and royalties at the unit level rather than the accounting identification (AID)	Reduce the number of lines payors have to report each month, as well as the number of lines the RMP has to process.	Reduce the number of lines payors have to report each month and the number of lines the RMP has to process.	Dick Feezle (tel)202-395-6112	Feezle writing response - 1/25/94
MMS-5 Jan Bigelow 303-231-3552	OMB	Modify Forms MMS-2014, MMS-4025, MMS-4110, MMS-4109, MMS-4295, and production reports.	Some data on these forms are no longer applicable, and RMP does not use some other data elements.	These data fields should be eliminated and/or replaced with data fields that will simplify the report.	Dick Feezle (tel)202-395-6112	Feezle writing response - 1/25/94
USBM-1 Ken Sacks 412-892-6617	DOL	Service Contract Act of 1965 as amended in 41 U.S.C. 351	Service Contracts of $2500 or more shall contain mandatory provisions regarding minimum wages, fringe benefits, etc.	Increase SCA threshhold to $25,000	Bill Gross (tel) 202-219-8353 Ron Karp (tel) 202 219-7531	Ron Karp and Joe Gilchrist concluded that a blanket wage determination was not a good solution. DOL will allow us to use an emergency turnaround when needed.
USBM-2 Ken Sacks 412-892-6617	GSA	41 CFR Chapter 101 - 43.304; Interior Property Management Regulations (IPMR) 114 - 43,44,45	All reportable and non-reportable property be reported to GSA as excess.	Items under $1000 in depreciated value not be reported to GSA.	Ed Loeb (tel) 202-501-4547 (fax)202-501-3341	Response by Roger Daniero - Commisioner, Federal Supply Service - 12/7/93. Authority granted to implement revised FPMR which changes limit to $5000. While not granting our request, new regs will reduce time needed for disposing of excess.
USBM-3 Ken Sacks 412-892-6617	GSA	Federal Acquisition Regulations (FAR) Part 8	Standard use items must be procured instead of the required purchase. Use of the Federal Supply Schedules are mandatory.	Blanket permission to purchase from best source	Ed Loeb (tel) 202-501-4547 (fax)202-501-3341	Response by Roger Daniero - Commisioner, Federal Supply Service - 12/7/93. Blanket waiver would be a breach of contract and cannot be granted. Beginning in 1994, all contracts will be non-mandatory, resoving problem as old contracts expire.
USBM-4 Ken Sacks 412-892-6617	SBA	15 U.S.C. 644(j); FAR Section 13.105	All purchases under $25,000 which use small purchase procedures shall be reserved exclusively for small businesses.	Blanket permission to purchase from best source	Bill Combs (tel) 202-205-6606 (fax) 202-205-6802 Mary Athridge (tel) 202-205-6606	Response due from Mary Athridge as per telcon 1/10/94
USBM-5 Ken Sacks 412-892-6617	OMB	FTE ceiling restrictions	OMB specifies total agency FTE within the budget process	The Bureau be allowed to manage to budget without FTE ceiling restrictions.	Dick Feezle (tel) 202-395-6117	No FTE waivers will be granted as per 7/6/93 letter from Bob Stone, NPR project director to all Departments.

Waiver process as of 2/2/94

ID	Org.	Provision	Description	Request	Contact	Status
USBM-6 Ken Sacks 412-892-6617	OMB	Paper Work Reduction Act of 1980, Section 3507	Surveys of more than 9 non-government organizations require approval.	Voluntary surveys dealing with customer satisfaction be automatically approved.	Dick Feezle (tel) 202-395-6112	Feezle writing response - 1/25/94
USBM-7 Ken Sacks 412-892-6617	OPM	Delegation of Recruitment Authority 5 U.S.C. 3304, 5 U.S.C. 3305, FPM 337	Servicing personnel office must wait for OPM to announce position and rate and rank candidates.	Allow local SPO's to handle recruitment process.	Don Hollum (tel) 202-606-941	Waiver not needed, authority available by asking OPM
USBM-8 Ken Sacks 412-892-6617	SBA	FAR 9.104 - 3(e)	If a small business vendor is found non-responsible under FAR 9.104 - 1, a Certificate of Competency (C.O.C.)must be issued by the SBA	The C.O.C. process be eliminated for procurements under $25,000.	Bill Combs (tel) 202-205-6606 (fax) 202-205-6802 Mary Athridge (tel) 202-205-6606	Response due from Mary Athridge as per telcon 1/10/94

FOOTNOTES

[1]"From Red Tape to Results: Creating Government that Works Better and Costs Less," the report of Vice President Al Gore's National performance Review, (September 7, 1993), p. i.

[2]Ibid., p.2.

[3]The theories on which reengineering is based are explained in Reengineering the Corporation, Michael Hammer and James Champy (New York: Harper Business, 1993). Hammer and Champy define "reengineering" as the "fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical measures of performance (cost, quality, capital, service, and speed)."

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